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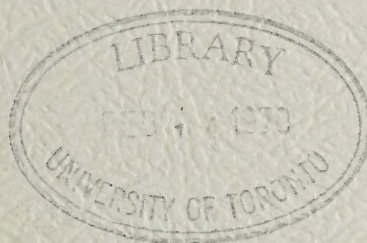
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Publications


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Select committee on Consumer credit
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Proceedings of hearings held at the
Parliament Bldgs, Toronto Ontario,
on the 17th day of November, 1964

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November 17, 1964

1 ---UPON RESUMING AT 10:10 A.M.

2 THE CHAIRMAN: Gentlemen, we have a
3 quorum so I will call the meeting to order. The agenda
4 has been changed somewhat from the agenda Mr. Harcourt
5 gave you yesterday. To accommodate some of the
6 witnesses who are here this morning, we are going to
7 hear first from the Weathertite Construction Company
8 from Mr. Anthony Perry and Mr. S. Sugar, who are
9 represented by their counsel Mr. A. E. Golden. Would
10 you three gentlemen care to come up and sit here, please?

11 Now, what we ordinarily do is hear
12 your brief or hear any remarks that you may have to
13 make, and then if there are some questions from the
14 members of the Committee or Mr. Sedgwick and Mr. Irwin,
15 they will do so. Is there anything you wish to say
16 about the operation of your company before we get into
17 any questions that might arise?

18 MR. GOLDEN: We were given to understand
19 that the Committee would have certain questions to ask
20 these gentlemen. And, as I indicated to Mr. Harcourt
21 we would be interested in those questions to provide
22 any information that we are able to provide, but we
23 didn't know what direction the Committee might want
24 to take.

25 THE CHAIRMAN: Well, let me ask you
26 this. Is this company still in operation?

27 MR. GOLDEN: No.

28 THE CHAIRMAN: Well, could you tell the
29 Committee when the company first started to operate?

30 MR. GOLDEN: Well, Mr. Perry and Mr.



1 Sugar originally opened up the firm in March, 1963 and
2 it became a limited company in September, just after
3 Labour Day, 1963.

4 MR. PERRY: That was the time I became
5 President and Mr. Sugar became Vice-President.

6 THE CHAIRMAN: Mr. Sedgwick, do you
7 have any questions to ask?

8 MR. SEDGWICK: Well, I suppose I share
9 with the Committee an awful ignorance about the nature
10 of your operation. You say the company is no longer
11 operating?

12 MR. PERRY: No.

13 MR. SEDGWICK: When it was operating,
14 what did it do? What product did it sell?

15 MR. PERRY: Aluminum siding.

16 MR. SEDGWICK: Did you sell it on a
17 door-to-door basis?

18 MR. PERRY: Yes.

19 MR. SEDGWICK: That is, you had salesmen
20 who went from door-to-door?

21 MR. PERRY: Yes. Let me qualify that.
22 When we took over and formed a limited company, just
23 after Labour Day, we got rid of most of the salesmen and
24 sold it ourselves.

25 MR. SEDGWICK: You just did it yourselves,
26 on a door-to-door basis. Well, this Committee is con-
27 cerned with consumer credit. When you sold aluminum
28 siding did you sell it for cash or did you sell it on
29 time?

30 MR. PERRY: We sold it on time.



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1 MR. SUGAR: 99% on time and maybe 1%
2 for cash.

3 MR. SEDGWICK: I see. And, take the
4 average small house, if there is an average small
5 house, you undertook to side it with aluminum. Is that
6 correct?

7 MR. PERRY: That's right.

8 MR. SEDGWICK: And about what would
9 the cost of the job be?

10 MR. PERRY: Let me say this. You never
11 know what you are going to run into in the walls. You
12 might have walls which need work underneath. You can't
13 put the aluminum over rough wood. Other places might
14 be fine and you could go right over it. On others --

15 MR. SEDGWICK: But there would still
16 be a rate, would the range be 100 to 1,000 or --

17 MR. PERRY: We go back to square. I
18 would say it would range from -- well, it costs us
19 80 per square or 79 per square.

20 MR. SEDGWICK: It costs you \$80.00?

21 MR. PERRY: 79.

22 MR. SEDGWICK: A square foot?

23 MR. PERRY: No. A square is 100 square
24 feet. Ten square feet -- you know, ten times ten. That
25 would cost us \$79.00.

26 MR. SEDGWICK: You sold it and
27 installed it, is that right? You did the work of putting
28 it on?

29 MR. PERRY: No, we had applicators do
30 the work. We didn't do the application ourselves.



1 MR. SEDGWICK: Oh. Well, what I am
2 getting at is how your contractors formed. If you went
3 into a householder and sold them the idea of putting
4 on aluminum siding, you would have to reach a price,
5 wouldn't you? How did you reach it?

6 MR. PERRY: We would figure the size
7 of the house, how much it would cost us, taking into
8 account intangibles we might run into and figure out
9 a price.

10 MR. SEDGWICK: All right. So the
11 intangibles, that is the condition of the house
12 underneath its surface, was something that you took
13 a gamble on. Is that right?

14 MR. PERRY: That's right.

15 MR. SEDGWICK: Yes. Well then, having
16 made your contract with the householder, would an
17 average be three, four, five hundred dollars?

18 MR. PERRY: It would be around \$500.00.
19 Excuse me. Are you talking profitwise?

20 MR. SEDGWICK: No, no. The contract.

21 MR. PERRY: Oh, no, no. It would be
22 around \$1,500.00.

23 MR. SEDGWICK: 1,500. All right.
24 Then before you made your deal with the householder and
25 said: "Now, we will put the aluminum siding on for
26 \$1,500.00", that was a contract, I take it, between
27 your company and the householder. Is that right?

28 MR. PERRY: Correct, sir.

29 MR. SEDGWICK: And then did you, that
30 is the Weathertite Construction Company, undertake the



1 business of putting on the siding?

2 MR. PERRY: Yes, sir.

3 MR. SEDGWICK: Yes. Well, when you
4 talk about applicators, the applicators would be your
5 contractors or employees, is that right?

6 MR. PERRY: Yes.

7 MR. SEDGWICK: And you paid the
8 applicators?

9 MR. PERRY: Yes, sir

10 MR. SEDGWICK: And then when you made
11 your -- I know it varies -- when you made your \$1,500.00
12 contract did you get a contract form signed?

13 MR. PERRY: Yes, sir.

14 MR. SEDGWICK: And would the form
15 include some kind of a note or obligation?

16 MR. PERRY: Yes, sir.

17 MR. SEDGWICK: I suppose there would
18 not be anything in the nature of a lien, or did you
19 get a lien?

20 MR. GOLDEN: It all depends -- if the
21 company requested a lien then we would have to get them
22 a lien.

23 MR. SEDGWICK: Who is the company?

24 MR. PERRY: The finance company.

25 MR. GOLDEN: When we had a contract
26 signed we would call --

27 MR. SEDGWICK: I am assuming that you
28 could not have the ordinary kind of conditional sales
29 because you couldn't take the product back, isn't that
30 correct? So that if you got a lien the lien would be



1 some form of mortgage, is that correct?

2 MR. GOLDEN: Just a promissory note.

3 MR. SEDGWICK: Just a promissory note.

4 I assume you would have a mechanic's lien for the job,
5 is that correct?

6 MR. GOLDEN: Not in every home. Only
7 if the finance company requested it.

8 MR. SEDGWICK: You would file a
9 mechanic's lien?

10 MR. GOLDEN: We would file a mechanic's
11 lien.

12 MR. SEDGWICK: I see. And which
13 finance company did you deal with?

14 MR. PERRY: Algonquin Building Credits
15 and Hamilton Building Credits.

16 MR. SEDGWICK: Well then, I just want
17 to pursue the transaction. Once you have made your
18 deal with the householder to side the house for shall
19 we say \$1,500.00, you get the note at that time?

20 MR. PERRY: Yes, sir.

21 MR. SEDGWICK: That is before you had
22 done anything?

23 MR. PERRY: Yes, sir.

24 MR. SEDGWICK: Yes. And supposing the
25 transaction was a cash transaction, did they pay the
26 cash at the time of the order also?

27 MR. PERRY: That never happened to me.
28 Usually upon completion of the job.

29 MR. SEDGWICK: Then if the deal was
30 cash, what was the difference in price between the cash



1 transaction and the credit transaction?

2 MR. PERRY: The same.

3 MR. SEDGWICK: The same price? Well
4 then who absorbs the cost of the credit?

5 MR. PERRY: You investigation of the --

6 MR. SEDGWICK: No, no, no, no, no --
7 the cost of financing that money.

8 MR. PERRY: The customer.

9 MR. SEDGWICK: And yet if the customer
10 wanted to pay cash the price was the same as though
11 he had the job done on credit, is that right?

12 MR. PERRY: Plus carrying charges.

13 MR. SEDGWICK: Well that's what I'm
14 getting at. Let us take my hypothetical \$1,500.00, that
15 is the cost of the job, is that correct?

16 MR. PERRY: Yes.

17 MR. SEDGWICK: And let's assume for
18 the moment that I am the householder and I say: "Very
19 well, I'll pay you in cash". Then that would be the
20 whole price, is that right?

21 MR. PERRY: Yes, sir.

22 MR. SEDGWICK: But suppose I say I can't
23 pay you in cash but I'll pay you \$50.00 a month. How
24 much would you add to the \$1,500.00 for the cost of
25 the credit?

26 MR. PERRY: Well, we have a chart, and
27 if the customer wants it for one year, two years, three
28 years then the payment would be so much.

29 MR. SEDGWICK: Yes. And the chart that
30 you had was supplied to you, I suppose, by the finance



1 company which accepted the paper?

2 MR. PERRY: That's right.

3 MR. SEDGWICK: Yes. Well then, still
4 pursuing the deal, after you have got the order do you
5 get a note for the whole amount at the time the order
6 is given to you?

7 MR. PERRY: Yes, sir.

8 MR. SEDGWICK: And do you discount the
9 note at once?

10 MR. PERRY: No, sir.

11 MR. SEDGWICK: When was the note
12 discounted?

13 MR. PERRY: When the job was completed.

14 MR. SEDGWICK: When the job was
15 completed. So how long would the job take ordinarily?

16 MR. PERRY: One week, two weeks. It
17 all depends -- an average of two weeks.

18 MR. SEDGWICK: About two weeks. And
19 then at the end of the two weeks did you make any
20 enquiries as to whether the householder was satisfied
21 with the job?

22 MR. PERRY: Well as a rule the
23 finance company, before they would send us the money
24 for the job, they would call that customer --

25 MR. SEDGWICK: I see, to make sure that
26 the customer had the job --

27 MR. PERRY: To make sure that the
28 customer was happy with the job.

29 MR. SEDGWICK: Did you ever have any
30 complaints from any customers that they had paid their



1 money and the job had never been done?

2 MR. PERRY: We had a few.

3 MR. SUGAR: Before the job was ever
4 done? No.

5 MR. SEDGWICK: Well then did you ever
6 have any complaints from customers that they had paid
7 their money or obligated themselves to pay the money
8 and the job was improperly done? What would you do
9 in those cases?

10 MR. PERRY: Well, we tried to rectify
11 to the best of our ability.

12 MR. SEDGWICK: Well I don't know how
13 good your ability was. Were you able to satisfy the
14 customer, that's what I mean?

15 MR. PERRY: I would say so, yes. Many
16 times we would send applicators back to do something
17 that they hadn't done properly.

18 MR. SEDGWICK: I see. Well then, as
19 to the finance company which took the paper. Is it
20 a fact that the finance company could collect whether
21 the job was done satisfactorily or not? Was there any
22 recourse?

23 MR. PERRY: No.

24 MR. SEDGWICK: Did the finance company
25 have any recourse to you? Could it turn the paper
26 back if there was a complaint on the way the job had
27 been done?

28 MR. SUGAR: It is my understanding that
29 the finance company checked and obtained some indication
30 from the customer that the job was done satisfactorily



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1 before they would advance the money.

2 MR. SEDGWICK: Is that right?

3 MR. PERRY: Yes, sir.

4 MR. SUGAR: Before we would pay the
5 applicator we would phone the customer ourselves to
6 find out that everything was done --

7 MR. SEDGWICK: And that they were
8 satisfied?

9 MR. SUGAR: Yes. We emphasized that
10 when we were in the house, that unless they were 100%
11 satisfied, you know, to state their problems, whatever
12 it is was wrong, at the time when we were calling.

13 MR. SEDGWICK: Did you, as Weathertite,
14 have any interest at all in the financing? By that I
15 mean, was there any kick-back to you from the finance
16 company?

17 MR. PERRY: We were supposed to get a
18 small portion. I was never told what it was. It was
19 -- usually whatever we got it was usual to get.

20 MR. SEDGWICK: I don't doubt it. Was
21 it as vague as that? I mean did they just give you
22 something graciously? Would it be 10% of the finance
23 charges or 5%?

24 MR. PERRY: I was never informed what
25 it was that we were supposed to get. After September
26 Hamilton Building Credits didn't give any more.

27 MR. REILLY: When was that? After
28 September?

29 MR. PERRY: That was the last one.
30 Then we didn't get any more.



1 MR. SEDGWICK: Well, we have been told
2 that in connection with automobile financing the seller
3 of the automobile has some interest with the finance
4 company and if the obligation is finally paid he gets
5 -- you might call it a kick-back -- some part of the
6 finance charges. Do you have the same arrangement?

7 MR. SUGAR: Not in writing.

8 MR. SEDGWICK: Well, did you have the
9 same arrangement?

10 MR. SUGAR: Well, we did, but we never
11 -- how can I say it? We were told we would get a
12 portion back.

13 MR. SEDGWICK: Didn't they say what
14 portion? You mean it was left entirely as a guess?
15 What did you get back?

16 MR. SUGAR: \$250.00 once, that I can
17 recall. For the time that I was there that's all we
18 got from the finance company.

19 MR. SEDGWICK: Well, \$250.00 for what?
20 One contract, ten contracts, twenty contracts?

21 MR. IRWIN: I would just like to comment
22 on this -- on your behalf, as a matter of fact. This is
23 not too unusual. I mean it is not unusual that these
24 people might not know what they will get back, the
25 reason being that the finance company -- I must say as
26 an auditor I have tried to discover what was the
27 arrangement as between the dealer and the finance
28 company and it's a very difficult thing to settle because
29 of the fact that you go to the finance company and ask
30 them to explain why they gave this much and why did they



1 not give more and they say: "Well we have all these
2 contracts. We've got a continual reserve. We've got
3 an outstanding contingent liability. We don't know
4 how our bad debts are going to come in." Every so
5 often they just send along a cheque. I must admit
6 that these people wouldn't necessarily know what they
7 were going to get.

8 MR. SEDGWICK: I see. There is no
9 percentage arrangement. And all that you can recall
10 is that on one occasion you got \$250.00?

11 MR. SUGAR: That's right.

12 MR. SEDGWICK: Did you say that the
13 company stopped operating recently? When?

14 MR. SUGAR: May.

15 MR. SEDGWICK: May of 1964. Why, was
16 it an unprofitable business?

17 MR. SUGAR: Yes, sir.

18 MR. SEDGWICK: And as to the outstanding
19 obligations, I suppose they are all assigned to the
20 finance company, is that correct?

21 MR. SUGAR: The contracts?

22 MR. SEDGWICK: Yes.

23 MR. SUGAR: Oh, yes, sir.

24 MR. SEDGWICK: The finance company is
25 just collecting on them. You don't have any communi-
26 cations from the finance company. Since you suspended
27 or stopped operations have you had any complaints from
28 people who had bought siding from you?

29 MR. SUGAR: No, sir.

30 MR. SEDGWICK: That's all I can think



1 of. Thank you.

2 THE CHAIRMAN: Mr. Irwin?

3 MR. IRWIN: I can understand that
4 this would sound very confusing that you wouldn't know
5 what you are going to get from the finance company.
6 But it is true that the car dealer, for example, can
7 establish pretty clearly what he is going to get back.
8 He is running a pattern. But I can understand that
9 you might not know because they would wait, the finance
10 company would wait until the contract was paid out to
11 take a certain portion of the earned income, deduct
12 any losses that they may have incurred and then they
13 might pay you the balance. If they had a very good
14 experience they might undertake to pay you 5% of the
15 total earned income. But you couldn't at any one
16 time figure whether it was 5% or not. Sometimes they
17 might say you get nothing and at other times they
18 might say you get a lot. This, I recognize, is not
19 your problem. Have you one of these charts that the
20 Algonquin or Hamilton people supply to you?

21 MR. SUGAR: I haven't got one with me.

22 THE CHAIRMAN: Could you make one
23 available to the Committee?

24 MR. GOLDEN: Oh, sure.

25 MR. IRWIN: Do you have any recollection
26 of the usual number of months of paying out the
27 contract for, say, \$1,500.00?

28 MR. PERRY: 60 monthly payments.

29 MR. SEDGWICK: Five years.

30 MR. PERRY: Five years.



1 MR. IRWIN: Have you any idea about
2 how much the monthly payments would be?

3 MR. SUGAR: \$39.00.

4 MR. IRWIN: \$39.00 for a 60 months
5 contract, for a \$1,500.00 original contract. Did you
6 have any difficulties, let's say, where a customer
7 was dissatisfied with the work you had done and they
8 hadn't continued making their payments to the finance
9 company and they didn't because they weren't satisfied
10 with the work. How would you resolve this problem?
11 The householder is dissatisfied and refuses to make
12 the payments to the finance company. Would you be
13 involved in that problem at all?

14 MR. SUGAR: Well they would call us
15 up and say there was a little complaint and we would
16 try and rectify it.

17 MR. IRWIN: The finance company?

18 MR. SUGAR: Yes, the finance company
19 would call us.

20 MR. IRWIN: Supposing you couldn't
21 satisfy the customer. Let's say they just claimed
22 that you had done a bad job and they were unhappy about
23 it. Take your siding off we are not going to pay you.

24 MR. SUGAR: We never ran into it but
25 once the finance company -- we send them the note and
26 they send us a cheque. We can practically say we wash
27 our hands of the deal.

28 MR. IRWIN: Who sent a cheque to who?

29 MR. SUGAR: The finance company would
30 send a cheque to us for \$1,500.00, or whatever the cost



1 may be.

2 MR. IRWIN: I don't quite follow that.

3 MR. SUGAR: When the job is completed
4 we send them the note, the completion certificate, to
5 the finance company. They in turn call up the customer
6 and see that everything is fine and then we wait a
7 week or ten days, whatever the case may be, and they
8 send us a cheque for the amount.

9 MR. IRWIN: Supposing after that had
10 happened the customer became dissatisfied. Maybe the
11 walls leaked or something.

12 MR. SUGAR: Well, we try to send a
13 man up to repair it or fix it.

14 MR. IRWIN: Does the finance company
15 try to recover this \$1,500.00 from you?

16 MR. SUGAR: It never happened.

17 MR. IRWIN: They wouldn't charge you
18 back then?

19 MR. SUGAR: No, this never happened.

20 MR. IRWIN: Were you aware of other
21 people in the field, that is, your competitors, who
22 ran into this kind of experience where the customer
23 was unhappy and there was a tangle between the customer
24 and the company applying the siding?

25 MR. SUGAR: No.

26 MR. IRWIN: You said you went out of
27 business because it was not profitable?

28 MR. SUGAR: Yes, sir.

29 MR. IRWIN: Well, why did you go into
30 it then. It was a rather short period of time to get



1 started and then get out. Was it the exception that
2 there were extraordinarily high profits to be made
3 in this?

4 MR. SUGAR: Well, on paper it looked
5 good, but the time the bills came in there was nothing
6 left. We couldn't overcome the expense.

7 MR. IRWIN: Did you leave any jobs
8 unfinished?

9 MR. SUGAR: Not that I know of.

10 MR. IRWIN: You finished them all up
11 and then quit?

12 MR. SUGAR: Well, we paid everybody
13 and quit.

14 MR. IRWIN: When you started the
15 operation and on the first few jobs, at any rate, it
16 often happens -- you thought, at any rate, you were
17 doing pretty well. Now what was your presumed mark-up?
18 If you sold a job for \$1,500.00, what did you estimate
19 that your costs would be?

20 MR. GOLDEN: Is this before expenses?

21 MR. IRWIN: Yes, the direct cost of the
22 job?

23 MR. SUGAR: Well, I can give you an
24 example. We done one job and figured we would earn
25 \$600.00, and when the installers gave us the bill for
26 material and lumber it was \$80.00.

27 MR. IRWIN: So on a \$1500.00 job you
28 estimated your direct cost was going to be about \$900.00?

29 MR. SUGAR: Yes. We done that job and
30 the customer wouldn't let the installers put on the job



1 til we done the whole house with wood. The wood was
2 \$80.00 for that job.

3 MR. IRWIN: I was asking whether or
4 not the estimated cost, the cost that you estimated
5 at the time you took the job, was \$900.00. Is that
6 right?

7 MR. PERRY: We can't figure it.

8 MR. IRWIN: Somebody said about \$600.00
9 is what you would make.

10 MR. PERRY: Let me just try to explain
11 this. Let's say we took a profit of \$600.00. Now
12 before you left the house the customer wanted six
13 months before he made a payment. We have to pay 1% a
14 month on that.

15 MR. GOLDEN: So that's 75 off your six
16 right there. Then we might run into wood work that
17 has to be done or maybe boxing in, they might say they
18 want boxing in. You give a price. Once you give a
19 price and then the customer wants this and this and
20 this, and it's pretty hard to raise your price.

21 MR. IRWIN: I see. In other words
22 you --

23 MR. PERRY: You can't tell.

24 MR. IRWIN: -- you felt you were
25 stuck with your original estimate on the job?

26 MR. PERRY: If you are just going to
27 make \$50.00 on the job you are still going to write the
28 contract.

29 MR. IRWIN: Did you work on a sub-
30 contract basis with the applicators? If you were selling



1 the job at, let us say, \$1.25 a square foot, would you
2 have arranged beforehand with the applicator to put
3 it on at, let's say, .75¢ a square foot?

4 MR. PERRY: Yes.

5 MR. IRWIN: And if you were on a fixed
6 contract basis with the purchaser would you not (rest
7 of sentence inaudible).

8 MR. PERRY: We don't know what they
9 are going to run into. Sometimes the job is 400 miles
10 from here and the contractor will call you and say:
11 "Well, they need woodwork and it will cost \$140.00".
12 Things happen.

13 MR. IRWIN: So you say go ahead?

14 MR. PERRY: Go ahead.

15 MR. IRWIN: You wouldn't -- you didn't
16 feel, at any rate, that you had any right to charge this
17 off to the customer?

18 MR. PERRY: We emphasized to them this
19 is a contract price regardless of what we ran into.
20 That was our problem. Sometimes under a wall of,
21 say, insulbrick, the wood might be all rotten.

22 MR. IRWIN: You didn't make any
23 provision in your contract for extra work or extras
24 not in the contract that they wanted?

25 MR. PERRY: No. We just thought that
26 we were making a dollar and found that we were making
27 a dime.

28 MR. SUGAR: We made these provisions
29 in our price. We gave a price and tried to take these
30 changes into account, these intangibles into account.



1 MR. IRWIN: Well, my impression is
2 that you are the guys that were being shorn, not the
3 customer.

4 MR. PERRY: Well, we quit. We
5 closed down.

6 MR. IRWIN: What was your mode of
7 operation? Did you send a salesman to a territory
8 in advance and sign up these contracts with the
9 householders in the community and then came along
10 some time later with the applicators and did the job?

11 MR. MACDONALD: Did I understand an
12 earlier comment that after you took over the company
13 in September that you did that yourself?

14 MR. SUGAR: We sold the contracts
15 ourselves, yes.

16 THE CHAIRMAN: Mr. Whicher, do you have
17 any questions?

18 MR. WHICHER: Well, I want to get back
19 to this length of time you were in business. March of
20 '63 until May of '64, right? Are any of you gentlemen
21 in the same type of business now?

22 MR. SUGAR: No.

23 MR. WHICHER: I know this company is
24 evaporated, but are you in the same type of business
25 now?

26 MR. SUGAR: I am. I work for --

27 MR. WHICHER: I beg your pardon?

28 MR. SUGAR: I am working for another
29 company.

30 MR. WHICHER: Are you an officer in that



1 company?

2 MR. SUGAR: Oh, no, no, just a workman,
3 a salesman.

4 MR. WHICHER: A salesman. In this
5 company -- I didn't get the name of it --

6 MR. SUGAR: Weathertite Construction.

7 MR. WHICHER: What commission would
8 you pay your salesmen to go out and sell a job, let's
9 say?

10 MR. SUGAR: Well, we would charge
11 them so much and they would try to (rest inaudible).

12 MR. WHICHER: Would your salesmen
13 go out to these farmhouses in rural areas -- I think
14 that's where most of your --

15 MR. SUGAR: No, no, a lot of our
16 business was right in the heart of cities. Downtown
17 Toronto, downtown Montreal.

18 MR. WHICHER: Well, if he went out
19 and sold a job for, say, \$1,500.00, would it be on
20 salary or on commission?

21 MR. SUGAR: Commission.

22 MR. WHICHER: How much commission would
23 he get on \$1,500.00?

24 MR. SUGAR: Well, we just went over
25 that. It's hard to figure --

26 MR. GOLDEN: I think I could explain it.
27 This is somewhat in the nature of a commission but it
28 tends to look more like a private enterprise transaction.
29 because the company which employs the salesman would
30 charge the salesman so much per square, and it is the



1 salesman's job to get more per square. He writes the
2 contract on the basis of whatever he can get. Generally
3 you are limited as to what you can get. Therefore
4 his commission or profit would be the difference
5 between what it will cost and what he writes the
6 contract for.

7 MR. WHICHER: In other words, he
8 charges whatever the traffic will bear, is that fair?

9 MR. SUGAR: Well we had a maximum
10 and I imagine -- most of the places I have worked at
11 have a certain maximum you can't go over.

12 MR. WHICHER: Well, as you said, each
13 case is different so it would be pretty hard to say
14 what that would be.

15 MR. PERRY: When the applicator goes
16 to put on a job of so many squares it can't be over
17 a certain price. The absolute top limit would have
18 to be 145 or 150 a square.

19 MR. WHICHER: But you have already
20 signed the contract before the squares go on.

21 MR. PERRY: Well, they realize that
22 if it's over this limit the company won't accept it,
23 they won't give him the commission on it.

24 MR. WHICHER: Well anyway, as I under-
25 stand it, the job is sold and then you get the
26 applicators. Where do you get them? I mean, you
27 mentioned a job 400 miles away. Who would you hire,
28 just somebody?

29 MR. PERRY: No, there are applicators
30 who do this for a living who live in Toronto.



1 MR. WHICHER: Would you send somebody
2 all the way from Toronto, say two or three hundred
3 miles away?

4 MR. PERRY: What Mr. Sugar and I tried
5 to do is we would go on a 10 day trip and try to get maybe
6 two or three, if we can -- you never know how many will
7 stand up through the finance company -- and then we
8 could send an applicator up with a reasonable amount
9 of work.

10 MR. WHICHER: I don't know if this
11 is a fair question or not, I realize -- I happen to
12 be in the dairy business and every dairy isn't
13 successful by any means -- how would you account for
14 the fact that the one you are working for now is
15 presumably successful and yet this one was not?

16 MR. SUGAR: That I couldn't answer.
17 All I can say that as far as our company is concerned
18 that we did not earn any money.

19 MR. WHICHER: All right. Now the deal
20 is sold and then you turn it immediately over to the
21 finance company before the aluminum is put on, or --

22 MR. SUGAR: We call them and give them
23 the credit information and they either accept or reject
24 the deal. We have had weeks that we have gone out
25 for ten days and got three deals and none of them were
26 good.

27 MR. MACDONALD: You mean they were
28 turned down by the finance company?

29 MR. SUGAR: Yes, sir.

30 MR. WHICHER: I'm not familiar with these



1 terms that Mr. Sedgwick was giving about liens,
2 promissory notes and so forth, would you say that it
3 was possible that a man might lose his farm by signing
4 one of these notes or liens or whatever it might be?

5 MR. SUGAR: I don't think so.

6 MR. WHICHER: You don't think so? Well
7 I can tell you people that have.

8 MR. SUGAR: Well, all they we have
9 them sign is a conditional sales contract and a
10 promissory note to pay. This is it.

11 MR. GOLDEN: To the best of my
12 knowledge it is not a conditional sales contract, but
13 there is a promissory note. That's the only document.
14 That is the only obligation the customer signs.

15 MR. WHICHER: That's what they sign,
16 I see. Well then when it is turned over to the finance
17 company is there any further signing?

18 MR. SUGAR: That I couldn't tell you.

19 MR. WHICHER: Well now, I want to ask
20 this. We are in the business in this Committee of
21 trying to protect the public as far as credit is
22 concerned, all lines of credit. And yours is 99% credit.
23 Do you think that it is fair to the customer -- he
24 signs a contract for \$1,500.00 with a company and then
25 one week afterwards he is not dealing with that company
26 at all, he can't find them. In your particular instance
27 you have gone out of business in about 15 months. Now,
28 we are looking for advice here. Do you think that it's
29 fair that the customers you sold, that dealt with your
30 company, the Weathertite Construction Company, now they



1 have absolutely no idea where it is. They probably
2 don't know that you are out of business. If the
3 aluminum is leaking or if there are any faults at all
4 they have no recourse whatsoever. Do you think that is
5 fair? And I am looking for advice here. What would
6 you suggest should be done?

7 MR. GOLDEN: First of all, sir, you
8 are stating a problem which may not exist.

9 MR. WHICHER: May not exist? I come
10 from Bruce County and I can tell you it does exist.

11 MR. GOLDEN: Well, you are dealing with
12 two gentlemen who ran a company called Weathertite
13 Construction. If there is a suggestion that these
14 gentlemen cannot be found by one of their customers
15 who might have a problem, then they have an answer for
16 that one. Your question is if such a problem exists
17 with respect to these gentlemen, I think I should
18 point out that we know of no such situation. Now asking
19 whether or not it's fair -- I'm not objecting to it
20 except that I want to make it clear (rest inaudible).

21 MR. WHICHER: Well, the point is the
22 Weathertite Construction Company sold numerous deals,
23 maybe a long way away because there were some 400 miles
24 away, is no longer in existence. I am not blaming you
25 for that. If you can't make a profit I say get out
26 of the business. That's fair enough. But now I'm looking
27 at it from the customer's side. Obviously they won't
28 find either one of you gentlemen. They dealt with
29 the Weathertite Construction Company. It's out of
30 business. It was really -- to use a phrase, which is



1 perhaps beat around a bit -- but it was really a
2 fly-by-night outfit, wasn't it?

3 MR. GOLDEN: No. That isn't fair.

4 MR. SUGAR: We had very good intentions.

5 MR. WHICHER: You had good intentions,
6 yes. But as far as the customer is concerned it is.
7 I mean, they can't find you now. They may find you
8 as individuals but they can't find the Weathertite
9 Construction Company. Now then, do you think that this
10 is fair to the customer? There is no blame attached
11 to you for going out of business. Do you think it's
12 fair?

13 MR. SUGAR: I would have to say I
14 don't think it is.

15 MR. WHICHER: Have you any suggestion
16 after being through this business and you are still
17 in it now, how it could be improved?

18 MR. SUGAR: No answer.

19 MR. WHICHER: I am thinking of people
20 who have been in sad financial difficulties, people
21 who have had -- not probably through your company but
22 through others dealing with aluminum siding -- who
23 signed with company A, the Weathertite Construction
24 Company or some other construction company and one month
25 afterwards they find that they are not dealing with
26 that company at all, they are dealing with a finance
27 company who know nothing about putting aluminum siding
28 on -- it leaks or it is not a properly constructed job --
29 and they have no recourse.

30 MR. GOLDEN: Well, sir, before they



1 undertake any obligation they have already indicated
2 (rest inaudible) -- because they have seen it go on --

3 MR. WHICHER: How can they tell
4 what it's going to be like in six months?

5 MR. GOLDEN: They can't.

6 MR. WHICHER: Is there any guarantee
7 with this installation?

8 MR. PERRY: They just rectify complaints
9 as best they can when they come in.

10 MR. MACDONALD: Was there any guarantee
11 in the contract?

12 MR. SUGAR: There is no guarantee
13 in the contract. As far as the aluminum is concerned
14 it is supposed to be guaranteed by the manufacturer.

15 MR. KERR: All they can do is complain
16 to the finance company.

17 MR. WHICHER: Well now I wanted to
18 ask -- you say that the customer is always satisfied
19 after the job is done. The finance company gets in
20 touch with them, they telephone. Now I am thinking
21 of three cases where they haven't got a telephone. They
22 are 150 miles from Toronto and neither the Hamilton
23 Building Products or the Algonquin Building Products
24 are anywhere in the area. How do they get in touch
25 with these people?

26 MR. SUGAR: They send them a wire that
27 they should go to the telephone and call them collect.

28 MR. WHICHER: That they should go.
29 The cases I am thinking about it would be a hard job
30 to get a wire to them, incidentally, too, because they



1 are right out in the country.

2 MR. SEDGWICK: The point is it doesn't
3 matter whether the job is well or ill done, the
4 finance company has a right to collect. Isn't that
5 right?

6 MR. SUGAR: As far as we are concerned
7 we never get our money until the finance company has
8 checked with that customer.

9 MR. SEDGWICK: Neither Mr. Whicher
10 nor I are thinking of that point of time. We are
11 thinking of the point of time two, three, four, five,
12 six months later when it turns out that the siding
13 leaks or the job isn't well done. That, in effect,
14 isn't the business of the finance company at all. They
15 will say: "That doesn't matter. We have your note
16 for \$1,500.00 and you are going to have to pay it. If
17 you want it fixed you go back to Weathertite." But
18 as Mr. Whicher points out you can't find them.

19 MR. GOLDEN: There is no doubt, sir,
20 that Algonquin Building Credits and Hamilton Building
21 Credits are a third party, having gone into the question
22 of satisfying themselves that the job was satisfactorily
23 done, having been informed of that and taking the note
24 at that point, they would be entitled to demand that
25 the note is honoured.

26 MR. SEDGWICK: I think they would be.
27 But as Mr. Whicher points out the customer really has
28 no recourse because there is no guarantee and even if
29 there was a guarantee the guarantor has gone out of
30 business and can't implement it. Isn't that your point,



1 Mr. Whicher?

2 MR. WHICHER: That's my point exactly.

3 MR. SEDGWICK: The people have to
4 pay although they don't get what they contracted to get.
5 It isn't satisfactory. You can't tell for ten days,
6 it may not rain for ten days.

7 THE CHAIRMAN: We are only assuming
8 that this may be true. We don't know, whether this is
9 the case at all actually, with your company.

10 MR. WHICHER: I don't know either
11 although you have admitted that in some instances this
12 might not be a fair deal to the customer. In some
13 instances anyway for three or four different reasons.

14 MR. GOLDEN: I think I would take
15 objection to the question of whether it is fair --
16 this is the type of quality judgment which these
17 gentlemen should not be called on to make. It is
18 up to this Committee, with all due respect, to determine
19 whether it is fair or not. We may all have different
20 opinions as to what is fair and what is not fair.
21 These gentlemen are basically not responsible to
22 keep their company in full operation or must stay in
23 business on the supposition that some day in the future
24 someone might have a complaint about one of the jobs
25 that they are responsible for. If that is the
26 suggestion implied in the question of whether or not
27 it is fair, I would say the fairness must be balanced.
28 You must be fair to the people who are in business as
29 well. They should not be required to stay in business
30 and maintain overhead simply on the basis that the



1 complaints may not occur. The law is full of results
2 which are unfair to one person or another --

3 MR. WHICHER: Well I want to be
4 completely fair to the companies. But I am thinking
5 about this fellow who spent \$1,500.00 on aluminum
6 siding and three months afterwards, when it really
7 rained hard, why it leaked like the dickens and he
8 can't get in touch with your company -- through no
9 fault of your own, don't get the wrong impression --

10 MR. REILLY: Mr. Chairman, could I
11 find out from Mr. Whicher now -- do you know specifically
12 whether the Weathertite Construction Company was
13 involved?

14 MR. WHICHER: No. I pointed that
15 out. I don't want to leave that --

16 MR. REILLY: So you are not referring
17 to this company, you are referring to a company?

18 MR. WHICHER: I am referring to a
19 company that happened to be only in business for 15
20 months or thereabouts, you see, and who certainly,
21 if the customer has got complaints now he will have
22 difficulty in getting the matter fixed up because he
23 can't find them. They are out of business. I know
24 the individuals are here but the company is gone.

25 Now what I want to say with
26 this is there are three or four reasons. Firstly,
27 the people from whom you bought the aluminum may be
28 at fault -- I mean, it may be faulty aluminum. Your
29 applicator, as you call them, or the carpenters or
30 whatever they are, they may have done a poor job. Or



1 your salesman -- there is a possibility that he might
2 have oversold in some instances.

3 Now, I am asking you as somebody
4 who has been through the mill, have you got some
5 suggestions as to how the public might be benefitted,
6 because I don't think this is fair. The man on your
7 right says that that isn't a fair question for me
8 give, but on the other hand you said it wasn't fair
9 and I don't think it's fair either. Have you any
10 suggestions about how the public could be protected?
11 You have no answer for that?

12 THE CHAIRMAN: Of course there are
13 companies going out of business all the time.

14 MR. WHICHER: Yes, I know they are
15 going out of business.

16 THE CHAIRMAN: Especially in this
17 type of construction business.

18 MR. WHICHER: I know some of the
19 customers who are going out of business too as a result
20 of them. That's what I'm thinking about. I don't
21 think I have any other questions.

22 THE CHAIRMAN: Mr. Lawrence?

23 MR. LAWRENCE: Forgive me for going
24 over some ground that has already been gone over, do
25 I understand this was a construction company in which
26 you sold this aluminum siding door-to-door and had
27 the prospective customer sign a promissory note to pay
28 for it? Was there any warranty or guarantee regarding
29 the quality of the merchandise, either in writing or
30 verbally, to these people?



1 MR. SUGAR: There would be a guarantee
2 from the manufacturer of the aluminum.

3 MR. LAWRENCE: I mean from Weathertite?

4 MR. SUGAR: No.

5 MR. LAWRENCE: Would the prospective
6 customer be informed, as part of the sales pitch, of
7 the manufacturer's warranty?

8 MR. SUGAR: We would ask them what
9 aluminum they wanted.

10 MR. LAWRENCE: Did you use a number
11 of manufacturers?

12 MR. SUGAR: Reynolds and Modern -- most
13 of it was Modern.

14 MR. LAWRENCE: Modern. Are they a
15 large outfit?

16 MR. SUGAR: Quite large.

17 MR. LAWRENCE: Quite large. And did
18 they have a warranty on their aluminum? The warranty,
19 of course, is to you?

20 MR. SUGAR: It's supposed to go to
21 the customer.

22 MR. LAWRENCE: Is that so? Is this
23 in writing?

24 MR. SUGAR: That's right. I know they
25 send them a guarantee on the aluminum.

26 MR. LAWRENCE: What happens? The
27 customer signs your agreement and a promissory note
28 and then you go out and sub-contract it to somebody
29 else to put it on -- you call them an applicator. These
30 are local people are they?



1 MR. SUGAR: As a rule they are local.

2 MR. LAWRENCE: They are not employees
3 of yours?

4 MR. SUGAR: Oh no, no. They are
5 local in the sense that we are local.

6 MR. LAWRENCE: They are not employees
7 of yours, though, they are sub-contractors, right?

8 MR. SUGAR: We don't pay their
9 salaries. We just pay them to put it on.

10 MR. LAWRENCE: Well, how does the
11 customer find out about the manufacturer's warranty?
12 Who gives it to them? Do you give it to them?

13 MR. SUGAR: If a customer asked me
14 for one I would send it out -- I would get one from
15 Modern and I would send it to them.

16 MR. LAWRENCE: Yours is primarily a
17 selling job. You have a definite selling pitch, your
18 people?

19 MR. SUGAR: Definite in every house?

20 MR. LAWRENCE: You must have something.
21 How many salesmen do you have?

22 MR. SUGAR: Working for us? Well we
23 had maybe two, four --

24 MR. LAWRENCE: At the time when your
25 business hit a peak, how many did you have out in the
26 field?

27 MR. SUGAR: Four.

28 MR. LAWRENCE: I'm sorry, have you
29 covered this before?

30 THE CHAIRMAN: Yes.



1 MR. LAWRENCE: Where did you get these
2 fellows from, were they experienced in the sales line
3 or were either one of you gentlemen doing the work,
4 or what?

5 MR. SUGAR: If someone came in and
6 wanted to go to work -- if we knew him -- go ahead.

7 MR. LAWRENCE: And they didn't have
8 any instruction as far as the sales were concerned --
9 how to sell?

10 MR. SUGAR: Well, we would check it
11 when they brought it in.

12 MR. LAWRENCE: Were these people
13 experienced in the aluminum siding business?

14 MR. PERRY: I imagine they would be
15 or otherwise they wouldn't attempt it.

16 MR. LAWRENCE: You just imagine, however.
17 Did you not have any sales promotion literature that
18 you used with these people, or did they not have it.
19 Did they not have a line or a pitch or an argument that
20 you people devised?

21 MR. SUGAR: Not at all.

22 MR. LAWRENCE: How about literature?

23 MR. SUGAR: We did have -- we sent
24 out some literature. We sent out 10,000 pieces.

25 MR. LAWRENCE: That would be a general
26 mailing.

27 MR. SUGAR: A general mailing.

28 MR. LAWRENCE: Asking people to contact
29 your office, and then you would send out the man. Is
30 that the way it worked?



1 MR. SUGAR: No. We did it ourselves.
2 We went ourselves.

3 MR. LAWRENCE: How about your sales
4 people?

5 MR. SUGAR: We didn't have any at
6 the time when we had the literature.

7 MR. LAWRENCE: You did your own
8 selling.

9 MR. SUGAR: Yes.
10 MR. LAWRENCE: I've got an old house.
11 I receive your literature, I phone your office and
12 you come out and what do you show me?

13 MR. SUGAR: We show you aluminum
14 siding.

15 MR. LAWRENCE: A piece of it?

16 MR. SUGAR: Well, we have samples --
17 eight pieces on a box.

18 MR. LAWRENCE: I don't want to look as
19 if I'm giving you the third degree here, but most of
20 us don't know a darn thing about this business. There
21 are obviously abuses in the field going on today. We
22 are trying to rectify this and I'm trying to understand --

23 THE CHAIRMAN: I think what Mr. Lawrence
24 means is that if he were a potential customer and his
25 house looked as though he needed some of this siding --

26 MR. LAWRENCE: It does.

27 THE CHAIRMAN: When you come to him
28 as the owner, what are you going to say to him? He
29 wants to know what you would have said.

30 MR. SUGAR: Right. We would show you
the siding. We show you -- we have some books of houses



1 before and after. We would explain to you what we have
2 to do, what goes into it and all this, the material
3 that goes on, and then we tell you the price.

4 MR. LAWRENCE: Would there not be
5 any indication to them that this is good aluminum
6 siding and it's been on this house for ten years and
7 you have had no complaints -- anything regarding the
8 implied warranty as to the quality of the merchandise?
9 Nothing at all like that? Really? No questions about
10 is this going to be good stuff and is it going to last
11 on the side of my house?

12 MR. PERRY: Most people know a little
13 bit about aluminum siding. They feel it's good. I
14 don't think that question comes up. It's a matter
15 of whether they feel they can get it for their home
16 or not.

17 MR. SUGAR: We make 20 or 25 sales
18 for people who recommend it to other people -- a lot
19 of them.

20 MR. LAWRENCE: And do you tell the
21 people at the time they sign the promissory note which
22 manufacturer's aluminum you are going to use on their
23 house? Or is this left up to the applicator.

24 MR. SUGAR: Well in our case we deal
25 with Modern.

26 MR. LAWRENCE: And how would the
27 purchase find out whose aluminum, and therefore whose
28 warranty, you are going to use? That's the point I
29 am getting at.

30 MR. SUGAR: It was never brought up.



1 MR. LAWRENCE: You have never had a
2 case of anybody asking for the manufacturer's warranty
3 or your warranty in regard to the quality of the
4 merchandise?

5 MR. SUGAR: Well --

6 MR. LAWRENCE: You can relax. You are
7 not on trial here.

8 MR. SUGAR: We are trying to tell you
9 whatever we can. No. Most people know about aluminum
10 siding. It's a matter of whether they want it or not
11 for their home. We would look for homes that
12 definitely needed something done to them -- you are not
13 going to go to a man that has good siding and tell
14 him to put aluminum siding over it. Although we have
15 answered cards from people who have beautiful siding
16 and we have gone to the door and told them it's
17 ridiculous. But most of the people who we canvas,
18 who we sold, they know pretty well what aluminum siding
19 is. They didn't have to really be sold on it.

20 THE CHAIRMAN: Did you show them
21 pictures of any other homes?

22 MR. SUGAR: Oh, yes.

23 THE CHAIRMAN: Have you any of those
24 pictures with you?

25 MR. SUGAR: I didn't bring them with me.

26 MR. IRWIN: Mr. Chairman, would it help
27 any to ask this question. The siding itself, in
28 extruded aluminum form, is not likely to have any flaws.
29 It would be -- if there were complaints it would be
30 because the siding hadn't been put on properly or the



1 joints hadn't been sealed properly or the seams.

2 MR. PERRY: On the odd occasion -- not
3 too often, but I've seen the odd occasion where the
4 aluminum had flaws.

5 MR. LAWRENCE: Well, in any event you
6 were dealing with Modern, were you, because of their
7 reputation or because you could get a better deal from
8 them?

9 MR. PERRY: We needed money and
10 Modern would give us money before they cashed the
11 note.

12 MR. LAWRENCE: Well, this is the next
13 stage --

14 MR. PERRY: Of course we were
15 responsible for it.

16 MR. LAWRENCE: All right. So the note
17 is signed and the agreement is signed, yesterday. Now
18 what was the next step in the thing. Would you
19 immediately assigned that promissory note, or how
20 did it work? Where did you contact the applicators?

21 MR. PERRY: We phone the deal into
22 the finance company and we wait until they say approved
23 or rejected.

24 MR. LAWRENCE: Now you have mentioned
25 two finance companies. Are those the only two you
26 dealt with?

27 MR. PERRY: The only two we dealt with.

28 MR. LAWRENCE: Have you any interest
29 in that company?

30 MR. PERRY: No connection whatsoever,



1 direct or indirect. Except, as Mr. Irwin mentioned,
2 we were supposed to get something back.

3 MR. LAWRENCE: All right. So the
4 deal is signed at my house yesterday morning, say.
5 By yesterday noon you are phoning the finance company,
6 and what do they do? Do they do a credit check on
7 them immediately?

8 MR. PERRY: Right.

9 MR. LAWRENCE: How long did that
10 usually take?

11 MR. PERRY: It could take two hours
12 or two weeks. There was no way you could tell.

13 MR. LAWRENCE: And you would not
14 contact the applicator, of course, until you had
15 a credit check made and approved?

16 MR. PERRY: Until they approved it.

17 MR. LAWRENCE: All right. Say with
18 me, I'm a tough customer and it takes them two weeks
19 to do a credit check on me. Two weeks later then --
20 what did they do phone you or advise you or what?

21 MR. PERRY: Yes, they would phone
22 us.

23 MR. LAWRENCE: The would say he was
24 all right and they would take the paper?

25 MR. PERRY: Yes, and we will send out
26 a letter today.

27 MR. LAWRENCE: All right. And then
28 did you contact the applicator? Where did you find
29 the applicator?

30 MR. PERRY: When we went into the



1 business there were applicators working for Weathertite
2 and we just kept on using them.

3 MR. LAWRENCE: I missed this at the
4 beginning -- you took over? You didn't start it up?

5 MR. PERRY: No.

6 MR. LAWRENCE: I see. Therefore there
7 had been a previous history of contacts in the
8 business both with the suppliers and applicators?

9 MR. PERRY: That's right.

10 MR. LAWRENCE: And did you pretty
11 well follow through with the principles in Weathertite's
12 whole routine? That which had been going on before?

13 MR. PERRY: We got rid of the
14 salesmen, we cut our overhead to an absolute minimum
15 and went out and worked ourselves, just the two of
16 us. We gave the deals to Modern and they gave us a
17 little better price break as a dealer -- you know, we
18 did have our own company. They did the applying
19 and they paid us -- except that the salesman would
20 get paid when the note came in and was approved -- and
21 that was it, you didn't have the headaches.

22 MR. LAWRENCE: You were paid on a
23 commission basis then, by Modern?

24 MR. PERRY: Yes.

25 MR. REILLY: Excuse me, Mr. Lawrence,
26 I want to find out -- was Modern the supplier and
27 then the installer as well?

28 MR. PERRY: They had a department that
29 did the applying.

30 MR. LAWRENCE: You were really adjuncts



1 of the supplier then? I mean you were sort of a sales
2 arm for the supplier?

3 MR. PERRY: At the end.

4 MR. LAWRENCE: At the end?

5 MR. SUGAR: Of course we tried to
6 get our own applicators because it would save you
7 \$50.00 or \$60.00 a job, but we found there were too
8 many headaches so we gave it all to Modern.

9 MR. LAWRENCE: I see. Well, in the
10 initial circumstances did you use applicators apart
11 from the Modern organization?

12 MR. PERRY: At the beginning.

13 MR. LAWRENCE: And that didn't prove
14 satisfactory -- didn't prove satisfactory in what
15 way -- complaints?

16 MR. PERRY: We couldn't get them
17 when we needed them. We would get a job, say, three
18 or four hundred miles away and we would finally get
19 an applicator and he would say: "Well, I'll go next
20 week or the week after" or this or that. There were
21 too many headaches.

22 MR. LAWRENCE: And of course the note
23 you received had been assigned to a finance company
24 even before the work started on the site?

25 MR. PERRY: We kept that note until
26 the job was fully completed when the applicator came
27 in off the road and tell us he had finished the job.
28 We would phone check with the customer. "Was everything
29 done to their satisfaction?" "Are you happy with it?",
30 etc. etc. We would then pay the applicator and submit



1 the promissory note. Before Hamilton Building Credits
2 or Algonquin or whoever it was would pay us, they
3 would again phone the customer to find out if everything
4 was satisfactory and they had received everything
5 they had been promised, and if this was so they would,
6 in turn, remit the money to us.

7 MR. LAWRENCE: You mean to say
8 Algonquin and Hamilton -- those were the only two you
9 used?

10 MR. PERRY: Those were the only two
11 we dealt with.

12 MR. LAWRENCE: And Hamilton or
13 Algonquin would send somebody out in the field to
14 check the job?

15 MR. SUGAR: Or a phone call.

16 MR. LAWRENCE: Or a phone call.

17 MR. SUGAR: They have sent people
18 out directly.

19 MR. LAWRENCE: There would be some
20 indication from the customer that the work was
21 satisfactory and completed before they would take
22 the note?

23 MR. PERRY: Yes, sir.

24 MR. LAWRENCE: And did Modern finance
25 you in the interim?

26 MR. PERRY: They would give us money
27 to get by.

28 MR. LAWRENCE: Who recommended you
29 to the two finance companies -- Modern?

30 MR. PERRY: No. We just filled in



1 applications.

2 MR. LAWRENCE: You mean you just
3 walked in off the street, eh?

4 MR. PERRY: Yes.

5 MR. LAWRENCE: Do you know if there
6 is any connection between Algonquin and Hamilton and
7 Modern?

8 MR. PERRY: No, sir.

9 MR. LAWRENCE: Not to your knowledge,
10 anyway. Thank you.

11 THE CHAIRMAN: Mr. MacDonald?

12 MR. MACDONALD: I wonder if I might
13 go back and try to get a clearer picture of this. This
14 company was actually incorporated in March, 1963 and
15 you took it over in September, 1963?

16 MR. SUGAR: I came in in September,
17 that's right.

18 MR. MACDONALD: You came in at that
19 point too, Mr. Perry?

20 MR. PERRY: No. I'm not too sure of
21 this. I think that at the start we did register the
22 company. I had a partner. Then it became a limited
23 company and I was just a salesman. I was out working
24 with Mr. Sugar. Then shortly after Labour Day, in
25 September, we took over the company.

26 MR. MACDONALD: And it was in existence
27 and in operation from then until May of the next year?

28 MR. PERRY: May of 1964.

29 MR. MACDONALD: In other words for
30 about eight months with you two as partners?



1 MR. PERRY: Yes.

2 MR. MACDONALD: I take it, Mr. Sugar,
3 you indicated you had been in this business before
4 and you are in it again as a salesman for another
5 company? Had you, Mr. Perry? Is this your line of
6 work?

7 MR. PERRY: No. Only about three
8 months before March of the previous year, then while
9 Weathertite was opened. Since then I have quit.

10 MR. MACDONALD: Since then you have
11 quit. You are not in this line of business?

12 MR. PERRY: No.

13 MR. MACDONALD: You said that you
14 worked with Hamilton and Algonquin as finance companies.
15 Did you use one, and then you would go to another, or
16 did you use the two of them along the way?

17 MR. PERRY: Sometimes one of them
18 would take deals and sometimes they would turn them
19 down, then we would go to the other one. We would
20 have a bit of luck with them and then we would go back
21 to the other one.

22 MR. MACDONALD: What areas of the
23 Province did you cover in your sales?

24 MR. PERRY: We worked mostly northern
25 Ontario.

26 MR. MACDONALD: Somebody mentioned
27 Windsor here. Did you have a salesman do some work
28 in Windsor?

29 MR. PERRY: Lots of jobs in the heart
30 of Windsor and Toronto and Hamilton.



1 MR. MACDONALD: Not by yourself though?
2 MR. PERRY: Oh, no, not by myself.
3 MR. MACDONALD: Most of it was in
4 northern Ontario. What is the explanation for a
5 company based in Toronto going to northern Ontario?
6 MR. SUGAR: Well, there weren't as
7 many salesmen going that far out.
8 MR. MACDONALD: How many -- and I quite
9 realize that maybe you wouldn't have the exact figure --
10 but in that 15 month period of the existence of the
11 company, how many contracts would you have entered
12 into? Ten, fifty, a hundred, five hundred?
13 MR. SUGAR: I would say that for
14 ourselves we averaged about what? -- one approved deal
15 a week?
16 MR. PERRY: One approved deal a week.
17 MR. MACDONALD: So that you would have
18 had about 32 of them during that period?
19 MR. PERRY: Before that I wouldn't
20 know.
21 MR. MACDONALD: Now I would like to
22 go back to the point that Mr. Whicher was talking about
23 -- that is the obligation and the problem of coping
24 with any complaints. As I understand it, when you
25 were answering a query from him or from Mr. Sedgwick,
26 you said that you haven't been in contact with the
27 finance companies since. Have them communicated with
28 you in regard to unhappy customers?
29 MR. PERRY: Not that I can recall.
30 MR. MACDONALD: Have you had any



1 communication yourselves from unhappy customers?

2 MR. PERRY: No, sir.

3 MR. MACDONALD: Not that you can
4 recall. Well, just let me try to refresh your memory
5 a moment. On July 20th of 1964 -- no, sorry, sometime
6 earlier in 1964; your company presumably was still in
7 operation. You had a complaint from a customer by
8 the name of Traintinger at McDermott. And if I may
9 just quote a bit from a letter that I got from Mr.
10 Traintinger: "We are in a hopeless position. You
11 see I made a contract agreement with Weathertite
12 Construction of Toronto for aluminum siding and they
13 put it on our home last winter in the month of December"
14 --that would be December, 1963 --"and the contract
15 is made out to put heavy duty aluminum and boxed in top
16 and bottom of house, but they have only boxed the top.
17 And they used two qualities of aluminum siding and I
18 am sending you samples that they put on. One is copper
19 lined and is good. The other is blue and is no good.
20 It bubbles like paper. The one with copper lining
21 should have been on the entire house, which is in the
22 contract. I wrote to the Weathertite Company and
23 complained about the two different colours of which
24 I thought at the time was colours but now found two
25 qualities. They wrote back saying they would send
26 workmen out in the spring and it is summer and again
27 this time I sent registered letters and they did not
28 accept them and the Post Office sent the letter back
29 to me."

30 MR. PERRY: They say we sent them a



1 letter that we would send workmen out?

2 MR. MACDONALD: Whether it was by
3 letter or how, I'm not in a position to say.

4 MR. PERRY: I imagine it would be
5 by letter. But in reference to the siding -- it says
6 right in the contract that they have a copy of that
7 the two types of siding are different. One is embossed
8 siding, which gives a box effect, and that was in white.
9 The gables were to be done in a brown vertical siding.
10 Now the reason for this is they don't make a vertical
11 siding in embossed aluminum. We explained this to the
12 customer at the time. We had it written right here --
13 embossed white, gables brown vertical, which is not
14 made -- it's impossible to put the same types on.
15 We also went further to explain that the embossed is
16 a heavier duty material which is why it should be
17 around the base of the house. The smoother material,
18 we felt, in the gables -- there wouldn't be children
19 playing around it and throwing things against it, etc.,
20 and it would be relatively good up there. Don't mis-
21 understand me, there are many homes that get the
22 smooth siding and they are very happy with it.

23 MR. MACDONALD: What about the
24 proposition that the aluminum bubbled?

25 MR. PERRY: This is something brand new
26 to me, that the aluminum bubbled.

27 MR. MACDONALD: Did he not indicate
28 it to you?

29 MR. PERRY: Here's what I have -- a
30 letter from Hamilton Building Credits, showing a



1 photostatic copy of a letter from Mr. Traintinger.

2 "Dear Sir, Thanks for the letter and your prompt
3 action in regard to my previous letter to you. However,
4 I wrote a letter also to Weathertite at the same time
5 as I wrote you and I have not heard from them as yet."

6 Now I don't recall receiving
7 this letter. This is the first indication that I
8 have.

9 MR. MACDONALD: Do you receive
10 registered letters at your house? When registered
11 letters come do you ever turn them back? Not accepted
12 them?

13 MR. PERRY: No.

14 MR. MACDONALD: Well, all I can say
15 is that both Mr. Traintinger and the Hamilton Finance
16 Company both informed me that they sent registered
17 letters and you returned them.

18 MR. PERRY: Where did they send them?

19 MR. MACDONALD: To your address.

20 MR. SUGAR: If it's the Weathertite
21 address, we have not been there since May.

22 MR. MACDONALD: Well, now let's come
23 back to the point where Mr. Golden objected to this
24 being described as a fly-by-night company.

25 MR. PERRY: Do you want to hear this
26 letter first?

27 MR. MACDONALD: Fine, okay, let's
28 hear the letter.

29 MR. PERRY: This is in regard to the
30 bubbling, sir. "I wrote a letter and have not heard



1 from them as yet. And I will pay for the contract
2 in full whenever they change the siding, but not before
3 they do anything about it. One wall which is 8 feet
4 high and 10 feet long and there are at least 14 joints
5 and even on a wall six feet long they put many joints
6 to cut off" -- I can't see the exact word. "All the
7 work done by William Burton is satisfactory, but
8 anything done by" -- I can't read it, Marciano, I
9 think -- "is no good and he is the person that put
10 the colours -- two colours of white on the siding."

11 MR. MACDONALD: Were there two
12 applicators working on this building?

13 MR. PERRY: According to this letter,
14 yes. This again we do not know.

15 MR. REILLY: Excuse me, Mr. MacDonald,
16 they painted this siding?

17 MR. PERRY: No.

18 MR. MACDONALD: I can show you copies
19 of the two kinds of siding here.

20 MR. PERRY: I'll go into this a little
21 further. When we received this letter from Hamilton
22 Building Credits we went back to the applicators who
23 had done the work for us and we asked them to please
24 go out and rectify the matter. When we called the
25 man on the phone with regard to the work he was happy
26 with it. When Hamilton Building Credits paid us our
27 cheque we assumed again that he must have told them
28 he was happy with it and, of course, we put it out
29 of our minds until we got this letter. Then, because
30 of the two colours of the aluminum, we felt this was



1 Modern Building's fault, flaws in the aluminum. So
2 we contacted them, and after I asked them two or
3 three times they promised me they would send a man
4 out to rectify it.

5 MR. MACDONALD: Did you have a contract
6 with Modern or with the other applicator which
7 obligated them to go back?

8 MR. PERRY: No, we didn't.

9 MR. MACDONALD: In other words, when
10 the consumer complains, the complaint gets to you and
11 you have to fight your contractor and if he does
12 nothing the thing just dies there.

13 MR. PERRY: That is about what
14 happened, although we were led to believe that this
15 was to be looked after.

16 MR. MACDONALD: Well, you see, Mr.
17 Chairman, I happened to have gotten this letter --
18 Mr. Golden, I come back to your objection that this
19 is a fly-by-night company. Nobody could find out
20 where this company was. Nobody could find the
21 principals. Mr. Tرائنتر had sent letters and they
22 were returned because you had closed up your Weathertite
23 office. They didn't know where you lived. I checked
24 with Hamilton Credits. They had been sending
25 registered letters to you and they were being
26 returned. They didn't know where you were. So I went
27 to the company file and I found out where you lived
28 and I check in the telephone directory and neither of
29 you have listed numbers. So I couldn't check with
30 you. You had disappeared completely into the blue as



1 far as people concerned unless they had the knowledge
2 of going to the company files here in Queen's Park
3 and finding out who you were and where you lived.
4 Even then they would have to visit you because you
5 didn't have listed telephones and the company had
6 folded up. Now I submit to you, Mr. Chairman, that
7 Mr. Golden's contention that it isn't a fly-by-night
8 company simply isn't the case. The company had
9 disappeared, the principals had disappeared, they
10 weren't reachable by either the consumer or the
11 finance company. This is the incredible part. Even
12 the finance company had letters returned that weren't
13 accepted.

14 MR. PERRY : I would like to say
15 this. In regard to an unlisted number -- I may
16 have a good reason for an unlisted number.

17 MR. MACDONALD: I know you may have.

18 MR. PERRY: I did have.

19 MR. MACDONALD: All I am saying is it
20 is the final blank in the chain. Nobody could reach
21 either the company or you.

22 MR. GOLDEN: They weren't a fly-by-
23 night company, Mr. Chairman. The connotation is that
24 this is a company that deliberately folds up and moves
25 away for the purpose of evading its obligations. That
26 is why I object.

27 MR. MACDONALD: The simple fact of
28 the matter is they had disappeared.

29 MR. LAWRENCE: And who does take care
30 of the obligations?



1 MR. MACDONALD: And nobody fulfills
2 the obligation. You apparently gave you word in a
3 letter, either by letter or by something, that you
4 would see that it was done. Then you passed it on
5 to your sub-contractor, who has no legal obligation
6 and nothing happens.

7 MR. PERRY: Well, Modern Building
8 Products promised us something would be done. We told
9 them there was a flaw in it, in the materials, and
10 they said, fine, they would look after it.

11 MR. MACDONALD: Well, it hasn't been
12 done. I can tell you that.

13 MR. GOLDEN: Mr. Chairman, after having
14 been advised by Mr. Harcourt as to what (next few
15 words inaudible). And the first indication that I
16 finally had that there was still dissatisfaction with
17 the job was my advice to them that it would be
18 raised in this Committee.

19 MR. MACDONALD: Mr. Golden, may I
20 ask you, how could they learn of possible complaints
21 when both the consumer and the finance company couldn't
22 reach them? Registered letters were all returned.

23 MR. WHICHER: Modern Building Products
24 under this illusory warranty they have -- at least
25 it is illusory so far because nobody seems to know about
26 it but you and you haven't got anything in writing.

27 MR. PERRY: They told us this was
28 being taken care of so we didn't see any reason do to
29 anything further about it.

30 THE CHAIRMAN: Is there any copy of



1 any correspondence with regard to this or was the
2 conversation by telephone?

3 MR. GOLDEN: We have neither a copy
4 of any letter -- or exchange as well. I'm not sure
5 (rest inaudible).

6 THE CHAIRMAN: Was your communication
7 with Modern by phone or by letter?

8 MR. PERRY: By phone.

9 THE CHAIRMAN: Do you recall who
10 you spoke to?

11 MR. PERRY: I spoke with (rest
12 inaudible). He would be looking after the application
13 and he promised me it would be done.

14 THE CHAIRMAN: And that's the last
15 you heard of it.

16 MR. PERRY: Mr. Golden informs me
17 that I also spoke to a chap named Jerry Buckner.

18 MR. WHICHER: Mr. Chairman, Mr. Golden
19 wants -- I used the term fly-by-night to start with --
20 and Mr. Golden objected to it. You said a minute ago
21 in answer to Mr. MacDonald, that the reason you
22 objected was because there was no evidence of evasion
23 of responsibility to the customer. I suggest when
24 registered letters are turned back at the door that
25 there is an evasion of responsibility and that it is
26 a fly-by-night outfit.

27 MR. MACDONALD: Mr. Golden, you said
28 that the company was still in existence so that it
29 could meet its obligations if any came. The obligations
30 have been coming and they have been returned. You just



1 haven't been receiving them. How can they be received
2 when Weathertite's address has disappeared and the
3 addresses of its principals are available only to
4 someone who takes the trouble to go and search the
5 company records? And then you find they are unlisted
6 numbers and you can't reach them by telephone.

7 MR. PERRY: Let me say that we haven't
8 covered up our tracks. This is just a closed down
9 business.

10 MR. GOLDEN: It was easy enough for
11 Mr. Harcourt to contact these gentlemen to come here.

12 MR. MACDONALD: Exactly, because
13 I found the information from the company files and
14 supplied it to Mr. Harcourt.

15 MR. GOLDEN: Well, Mr. MacDonald, in
16 my position as a solicitor I deal with company files
17 at least once a week and with this kind of information
18 I very rarely get the home addresses of the officers
19 of the company on the letterhead. In fact the only
20 way I know to reach an officer of a company to serve
21 him with papers in a legal action is by coming up here
22 and searching.

23 MR. MACDONALD: In other words, both
24 the consumer and the finance company trying to reach
25 you would have to search the records. Isn't this
26 getting fairly close to being difficult to find and
27 evading responsibility?

28 MR. GOLDEN: Well, I think the question,
29 sir, is what is the alternative? Does this Committee
30 think you should provide every customer with a detailed



1 directory of how to get in touch with the officers of
2 a company? If a company went into bankruptcy --
3 this company was lucky enough to get out of it and
4 pay off their creditors and didn't have to go into
5 bankruptcy -- but if a company went into bankruptcy
6 what would happen then?

7 MR. MACDONALD: Well, Mr. Golden,
8 suppose I suggest this rather simple procedure. The
9 principals of a company that aren't trying to evade
10 responsibility, why could they not resort to the very
11 simple procedure of warning the Post Office that any
12 mail that comes for Weathertite shall be delivered to
13 such and such an address?

14 MR. GOLDEN: I don't believe, sir,
15 that there is any suggestion here that they were
16 trying to evade their responsibilities.

17 MR. WHICHER: Well for one thing, if
18 you haven't evaded them you certainly haven't accepted
19 your responsibilities, at least, because this gentleman
20 is --

21 MR. MACDONALD: If you hadn't deliber-
22 ately evaded them all these people who were interested
23 in finding you could -- plus the Hamilton Finance Company,
24 who was doing your financing.

25 MR. GOLDEN: (Inaudible)

26 MR. MACDONALD: It is quite conceivable
27 that Hamilton Finance has a file of complaints and
28 they have been trying to get in touch with you about
29 them.

30 MR. GOLDEN: If they had wanted to get



1 in touch they could, the same as Mr. Harcourt did.

2 THE CHAIRMAN: Are you prepared to
3 take any further steps to remedy this complaint?

4 MR. PERRY: I would think so.

5 MR. SUGAR: This is the first we
6 have heard about it. We firmly believed that Modern
7 Building Products looked after that complaint.

8 THE CHAIRMAN: And this is the only
9 outstanding one that you know of?

10 MR. PERRY: As far as we know.

11 THE CHAIRMAN: Mr. MacDonald, is that
12 all? Mr. Oliver?

13 MR. OLIVER: Mr. Sugar, you have had
14 experience with three companies now -- one previously,
15 your own, and now you are working for another.
16 I am interested in the fabricators or carpenters that
17 put on siding. In your experience do the companies
18 require that applicators have had experience in the
19 business?

20 MR. SUGAR: As a rule, yes, sir.

21 MR. OLIVER: How do you do that?
22 Do you know by their reputation? Supposing a man
23 came in off the street and said he was prepared to
24 do this job. What do you require of him?

25 MR. SUGAR: You ask him if he has
26 worked at any other previous place or had experience.

27 MR. OLIVER: Because I think it is
28 very clear that a lot of the trouble arises from the
29 putting on of the siding. And I don't think any Tom,
30 Dick or Harry should be allowed to put it on. I think



1 some requirement should be evolved if they are not
2 presently in force to see that the people who put
3 this siding on are qualified men. I'm not at all
4 sure that they have been qualified in the past. In
5 fact my own experience with them -- perhaps not your
6 company but some other company -- would suggest they
7 are not qualified men. And I think this is one
8 point, Mr. Chairman, that we might look seriously at.

9 Another question I wanted
10 to ask -- in respect to aluminum, there are different
11 grades of aluminum?

12 MR. SUGAR: Well, there is the smooth
13 and embossed.

14 MR. OLIVER: Is there not a heavy
15 aluminum and a lighter aluminum?

16 MR. SUGAR: Well, the embossed is
17 the heavy and the smooth is the light.

18 MR. OLIVER: You are telling me
19 there is just the one grade actually?

20 MR. SUGAR: That's right. As far as
21 I know I think that's all there is.

22 MR. PERRY: We have been led to
23 believe -- I'm not so sure about this -- that there are
24 more than one -- in the smooth, we'll say. I'm quite
25 sure in the embossed there is only the one type. But
26 I think in the smooth aluminum there are different
27 gauges depending, let's say, to a commercial sell, a
28 lumber yard which sells fast and for a very low price,
29 there is a thinner gauge. Again, I am not sure.

30 MR. OLIVER: Well, in regard to your



1 operation, how would the consumer know he was getting
2 the good gauge?

3 MR. PERRY: As far as we know, and
4 we were told through Modern and I believe it, we were
5 using the heavy gauge.

6 MR. OLIVER: In this work of putting
7 on siding, had you any side lines or allied lines?
8 Did you do anything else except put on siding?

9 MR. SUGAR: Oh, yes. If a person
10 wanted some windows or he wanted some --

11 MR. OLIVER: Did you build chimneys?

12 MR. SUGAR: No, no.

13 MR. OLIVER: Now the only other
14 observation I wanted to make has to do with this case
15 brought up by Mr. MacDonald, a moment ago. The tragedy
16 of that case, it seems to me, this company is now
17 out of business, you were only in business for what? --
18 15 months? Something like that. We are assuming
19 that you sold them a \$1,500.00 business. Now that
20 runs for what -- five years? So here you have this
21 man who is not satisfied, properly not satisfied.
22 I mean he has a reason to be not satisfied. And so
23 for 15 months the company is in existence but the
24 finance company has the paper for four years more.
25 And this guy has to keep on paying for four years for
26 a very poor job, a job that is not satisfactory in
27 any way, shape or form. Now that to me is the tragedy
28 of this situation and I don't know how you get around
29 it. I think perhaps I know how you could get around
30 it, but there is no way in what you have said, that it



1 can be readily rectified. I mean the man suffers, that's
2 all, for four years. The aluminum ruffles and bubbles
3 and maybe falls off, inferior workmanship, inferior
4 quality of aluminum. And for four years the bills
5 come from the finance company to be paid on the first
6 of the month for whatever the amount is. Four solid
7 years, while the aluminum falls off the house or
8 something. To me that is something that has to be
9 remedied. And if you were a fair-minded person you
10 would agree that there is something really wrong there.

11 MR. GOLDEN: I don't think, first
12 of all, Mr. Oliver is particularly thinking of this
13 case. With respect to this particular case, as
14 Mr. Sugar has indicated, they are prepared to rectify
15 it. In fact they have already taken steps --

16 MR. OLIVER: I think perhaps he has
17 taken what steps he can to rectify it. But I mean
18 they are feeble steps, not because he took them, but
19 because in the whole context of the thing there is
20 nothing really that can be done. I don't think there
21 is anything that can be done and I don't think there
22 is anything that will be done, except this guy pays
23 the bills for four years. That all. On an inferior
24 job. And that's going to be allowed to happen until --

25 MR. PERRY: We did not know that there
26 was anything still wrong until we appeared before
27 this Committee. We gave this problem to Modern Building
28 Products, they assured us it would be looked after.

29 MR. MACDONALD: And you haven't received
30 your mail since from the complaining consumer.



1 MR. PERRY: I haven't received any.

2 MR. OLIVER: There is not very much
3 they could do at all, if they did receive the mail.
4 That's the tragedy of the thing.

5 MR. MACDONALD: There are loopholes
6 all along the way on the thing.

7 MR. OLIVER: Do you forward to
8 Modern Building Limited anything, giving confirmation
9 that the work has been done?

10 MR. SUGAR: No, this is never done.

11 MR. OLIVER: I thought Mr. Perry
12 told us that he was prepared to rectify this complaint.
13 Isn't that what you --

14 MR. PERRY: Yes, sir.

15 MR. OLIVER: Well, what are you going
16 to do?

17 MR. PERRY: I'm going to get in touch
18 with Modern. I imagine legally we are responsible.
19 If they say that there is aluminum at the top part
20 we will send a man up there. It may not be aluminum.

21 MR. LAWRENCE: Are you people going
22 to do this? Or Modern Building Products or what?

23 MR. PERRY: Well, we will get
24 installers and send them out and pay for them.

25 MR. LAWRENCE: You people?

26 MR. PERRY: Yes.

27 MR. GOLDEN: If they can get Modern
28 to pay for it they sure are going to try.

29 MR. LAWRENCE: It was their installation?

30 MR. SUGAR: No, it was their material.



1 MR. MACDONALD: Well, the complication
2 in that instance is that apparently there were two
3 applicators. There are so many cooks in this broth
4 no wonder it was spoiled.

5 THE CHAIRMAN: Any questions, Mr. Irwin?

6 MR. IRWIN: I would just like to make
7 a comment. It seems like a very unstable situation
8 perhaps right from the beginning. In our firm we
9 see a lot of companies start and finish unsuccessfully.
10 Very, very seldom, in fact it's a rare instance,
11 where there seems to be any attempt on the part of
12 the principals to enter into an unsuccessful operation
13 to defraud the public. It just is that they conceive
14 of an idea, they go ahead with it, and it just simply
15 proves to be an unprofitable operation. I must
16 say I sympathize with the consumer in that case, but
17 in some ways I sympathize with the representatives
18 of Weathertite. When you get into a bad situation
19 how do you unwind yourself from it? Unless you go
20 bankrupt. Now you could have gone bankrupt and
21 relieved yourselves of the responsibility and I
22 would ask you why you didn't.

23 MR. GOLDEN: Because there were no
24 outstanding obligations. The company paid all its
25 debts, it has no creditors of which we are aware, and
26 as of a week ago no outstanding problems with regard
27 to its customers of which they were aware. There was
28 no reason to. They thought, honestly, that it had not
29 any outstanding problems.

30 MR. IRWIN: I would like to comment on



1 this lack of being able to contact. Again my
2 experience is this can happen. The principals have
3 to go on about some other way of making a living and
4 they have to leave the trail insecure. Very often
5 some of the headaches I have in business is that
6 when one of these companies, or the principals, finally
7 say: "Well, we have reached the end of the rope.
8 We will leave your office, my office," --

9 MR. MACDONALD: Mr. Irwin, let me
10 say this. There is a very simple procedure which
11 every individual uses, leaving a forwarding address.

12 MR. IRWIN: Yes. What I was going
13 to say is, Mr. MacDonald, that is correct. They could
14 leave some kind of a mailing address, as they do by
15 leaving me, for example. Well then I have problems
16 trying to find the person.

17 MR. LAWRENCE: You find it when you
18 get the bill paid.

19 MR. IRWIN: Sometimes I don't get
20 paid.

21 THE CHAIRMAN: Mr. Kerr?

22 MR. KERR: Mr. Sugar -- I believe it
23 is -- just reviewing briefly, you had a sales force,
24 is that correct? Your company, at one time?

25 MR. SUGAR: Yes, sir, at one time.

26 MR. KERR: And they went out in the
27 northern part of the Province to sell your product.
28 I assume that they would go into a residential area
29 and see the houses that haven't got this type of
30 installation and then they would go to the door and say



1 to the lady or the man of the house: "Are you
2 interested in having storm windows or aluminum
3 siding" -- or something like that.

4 Now would there be any type
5 of sales pitch other than showing the product? Would
6 you in any way indicate that if they bought your
7 product there might be a bonus or would you use one
8 house as a sample house of your product, thereby giving
9 the first house the material for nothing or a bonus
10 device, or something like that?

11 MR. SUGAR: As far as the salesmen, and
12 as far as ourselves, we paid off over \$2,000.00 in
13 bonuses to people who had helped us get other customers.
14 As far as in the house, I never mentioned bonuses --
15 never mentioned it.

16 MR. PERRY: We informed them that if
17 they knew someone who might be interested, and if
18 we went to see those people and concluded a deal, we
19 would pay them a commission.

20 MR. KERR: There was no question of
21 doing one side of their house or doing one or two of
22 their windows or something like that, and having
23 your product with possibly a little bit of a sign --

24 MR. SUGAR: No, not as far as I was
25 concerned.

26 MR. KERR: And then if a couple more
27 houses on that street or in that subdivision bought
28 you would complete the job on the original house
29 for nothing. You didn't do that?

30 MR. SUGAR: No, sir.



1 MR. KERR: Now this is the contract
2 you used, I assume. This is the one you had here.

3 MR. SUGAR: Yes.

4 MR. KERR: Did you have any other
5 type of contract? You mentioned you had a promissory
6 note as well.

7 MR. SUGAR: That's all.

8 MR. KERR: Now you say here, for
9 example, you show the total cash selling price and
10 the downpayment and you have balance due if paying
11 cash and balance due if financed.

12 You didn't indicate in any
13 way what that interest would be, the charge on the
14 type of contract if it was financed, did you?

15 MR. SUGAR: We would attach the selling
16 price on the upper line where it says Cash Selling Price.
17 We did not fill in any part of the rest of it. But
18 at the bottom of the contract so many payments at
19 so much per month.

20 MR. KERR: I see. Then after you
21 completed part of the contract you had both the
22 husband and wife sign it. So that at that point they
23 didn't know what the finance charges would be?

24 MR. SUGAR: Unless they asked us. Most
25 of them took a pencil and figured it out. In fact a
26 lot of them would say: "That's high", but then they
27 remembered it was for five years not one year. And
28 also they paid it off many times, for example, if they
29 knew where to get the money cheaper -- fine. If they
30 paid it off before the first payment was due they would



1 not pay one penny in interest. And we will assume if
2 we gave them 90 days, which would mean that we had
3 to pay for two months at 1% per month. Many times
4 at the end of three months when a cheque came in
5 for the full amount, we had to pay the 1% per month
6 for two months to the financial institution ourselves.

7 MR. KERR: I'm a little confused.
8 You say you don't fill it in. Do you tell them
9 verbally, is that it?

10 MR. PERRY: If they ask.

11 MR. KERR: If you know why don't you
12 fill it in?

13 MR. PERRY: We never do.

14 MR. KERR: All right. Now another
15 thing you say, this contains the entire contract between
16 the parties. Is that right? But at the same time
17 you say that there is a promissory note. Now is this
18 collateral security or is this the only thing you
19 would assign to the Algonquin or Hamilton Building
20 Credits?

21 MR. PERRY: That's right.

22 MR. KERR: You don't assign this
23 contract. You just assign the promissory note. All
24 right. Now, you have here, "I, or we, the purchasers
25 understand that this order is not subject to cancellation."
26 It also would appear from the small print that it is
27 possible that the payments could start before
28 installation. Is that a fact?

29 MR. SUGAR: Never.

30 MR. KERR: But there is a binding



1 contract before installation, before they receive
2 the goods?

3 MR. SUGAR: Yes, sir.

4 MR. PERRY: I was just going to say,
5 you mentioned the cancellation clause. We have had
6 many people cancel and we just drop it right there.

7 MR. MACDONALD: Don't they pay a
8 deposit?

9 MR. PERRY: Very seldom.

10 MR. MACDONALD: They don't pay a
11 downpayment?

12 MR. PERRY: I would say out of our
13 30 or 32 deals maybe we took one down payment of \$20.00.

14 MR. KERR: All right now. I think you
15 said the next step was the contract would have to be
16 approved by the finance company, Algonquin or
17 Hamilton. And you say that these people really phone
18 the customer up to see if they are satisfied?

19 MR. SUGAR: Yes, sir.

20 MR. KERR: Okay. There is a little
21 bit of discrepancy between the day the approve the
22 contract and the day the installation -- this is
23 always after installation?

24 MR. SUGAR: Right.

25 MR. KERR: So there is about two or
26 three weeks involved here, is there?

27 MR. SUGAR: That's correct.

28 MR. PERRY: We have found, on the
29 average, by the time we sign a contract and the deal
30 is completed, we get our money in about a month.



1 MR. KERR: Does the customer get
2 a copy of the promissory note they sign?

3 MR. SUGAR: No, sir.

4 MR. KERR: And there is no guarantee
5 other than what is shown on this contract? There is
6 actually no guarantee here. That's all.

7 THE CHAIRMAN: Mr. Edwards? Mr. Rowe?

8 MR. ROWE: Just one, about this
9 downpayment business. You say you required no
10 downpayment. Does the finance company ever, before
11 they approve the credit?

12 MR. PERRY: In this way. They might
13 say -- we will assume the deal is for \$1,500.00 --
14 and they might say: "We can only approve it for
15 financing for \$1,000.00". In that case, if we can
16 get a downpayment, fine. But I don't ever remember
17 getting one.

18 MR. ROWE: But it would be the finance
19 company that would --

20 MR. PERRY: They wouldn't ask for a
21 downpayment. They would only say they would extend
22 credit to this point. Beyond that, no. It was up to us.

23 MR. ROWE: In which case, if the
24 siding is already on, it's up to you to --

25 MR. PERRY: No, no. They approve it
26 for the amount before we do a thing.

27 MR. ROWE: That's all.

28 THE CHAIRMAN: Mr. Reilly, any questions?

29 MR. REILLY: Yes, Mr. Chairman. From
30 what I can hear this morning you had a pretty sad



1 experience in business, eh? You were able to pay
2 your bills and that's all, right? And you enjoyed
3 a fairly comfortable living or not, at that period
4 of time?

5 MR. PERRY: My living standard was
6 about the same.

7 MR. REILLY: You were paying \$80.00
8 per hundred square feet. What is the average
9 house that you would cover? 1,000 square feet?

10 MR. PERRY: About ten square.

11 MR. REILLY: So it would cost \$800.00
12 for a job which sells for \$1,500.00. Is that right?

13 MR. PERRY: That would make the
14 average cost about \$700.00 -

15 MR. REILLY: What was the average?

16 MR. PERRY: We went over this earlier.
17 It's hard to figure.

18 MR. REILLY: But it's normally \$80.00
19 for 100 square feet and it costs you \$79.00 or \$80.00 --
20 and the average job is 1,000 square feet and it
21 costs the customer approximately \$1,500.00. Is that
22 correct? That's right. Yes.

23 You had your problems from
24 the standpoint of fabricators, you tell us, and this
25 is understandable. And under these circumstances you
26 agreed to do business with Modern and they applied, or
27 supplied, their own fabricators.

28 MR. SUGAR: Applicators.

29 MR. REILLY: Applicators. Yes, I'm
30 sorry. The fabricator is the maker of the aluminum.



1 Modern then makes the aluminum
2 and now they are in the business of installing it.
3 I was wondering, as the picture has changed here,
4 you paid your bills, and the only thing I have heard
5 before this Committee so far is one complaint, and
6 this is the only one that you have told us about as
7 far as your particular customers are concerned. Now
8 these people may have been trapped, very innocently,
9 in business. It could happen. And I am not finding
10 any fault with them. It just seems to me that quite
11 frequently a thing like this happens -- here is a
12 business into which you can go and make some money
13 and you apply yourself honestly with effort and under
14 those circumstances you chose to go in business for
15 yourself. Now why did you get started in this
16 business when you had no experience?

17 MR. PERRY: I tried it for three
18 months before I went into Weathertite. I thought it
19 was a business where I could (rest inaudible).

20 MR. REILLY: And your experience
21 in the same connection with this -- did you try to
22 give the customer a good deal? You tried to be
23 honest as far as your connections with the customer
24 were concerned. This is the only case, to your
25 knowledge, that the customer is absolutely dissatisfied?
26 This is the only case that you know of?

27 MR. SUGAR: As far as I know.

28 MR. REILLY: Yes. Now, you are back
29 in the business, are you?

30 MR. SUGAR: Yes. I'm working.



1 MR. REILLY: With what company are
2 you working now?

3 MR. SUGAR: Well I was working for
4 Modern, I was working as a salesman. I could go back
5 into any company I want, bring in a deal, and if
6 they want it --

7 MR. REILLY: Right. But previous
8 to going into partnership with Mr. Perry you were
9 also in the business, were you not?

10 MR. SUGAR: Yes, sir.

11 MR. REILLY: What company were you
12 with then?

13 MR. SUGAR: Well, for the first
14 seven months I was working for them --

15 MR. REILLY: Previous to working
16 for them?

17 MR. SUGAR: Previous to that I was
18 working for Weathermaster, I was working for Modern,
19 I was working for quite a few companies.

20 MR. REILLY: You have had a lot of
21 experience as far as getting in touch with the
22 applicator and selling the siding --

23 MR. SUGAR: Selling only.

24 MR. REILLY: And now you are back with
25 what company?

26 MR. SUGAR: As of now? Well, I'm
27 working for, as I say, two or three companies.

28 MR. REILLY: In other words you are
29 a salesman for two or three companies?

30 MR. SUGAR: Right. Whoever --



1 MR. REILLY: Whichever company
2 gives you the best deal?

3 MR. SUGAR: Yes, that's right.

4 MR. REILLY: And what is the average
5 price for putting on siding now? Is it the same
6 price? Is it \$1.40 or \$1.45 or \$1.50?

7 MR. SUGAR: I would say it costs
8 me anywhere from \$83.00 to \$84.00 a square.

9 MR. REILLY: And do you under
10 the circumstances arrange for the installers?

11 MR. SUGAR: Oh, no.

12 MR. REILLY: You don't?

13 MR. SUGAR: No.

14 MR. REILLY: You are working with
15 Modern now?

16 MR. SUGAR: No.

17 MR. REILLY: What suggestions would
18 you make to this Committee now, after all the experience
19 you have had with installing siding or selling siding,
20 what recommendations would you make to this Committee
21 to avoid some of the problems that we have heard about?
22 Not necessarily with your company but --

23 MR. SUGAR: Well, it's hard. In my
24 experience I think it is trouble with the installment
25 boys. I would add up 2 and 2 is 4 and they would say
26 it would be 7. That was my problem.

27 MR. REILLY: Your problem has been
28 with the men who do the installation?

29 MR. SUGAR: We sell a job, we make
30 \$600.00 or less, and before we got through we would get



1 \$100.00. So we don't get on.

2 MR. REILLY: Are these men, who
3 put it on, generally, as a rule, they are carpenters,
4 are they not?

5 MR. SUGAR: As a rule they are
6 carpenters.

7 MR. REILLY: Or handymen?

8 MR. SUGAR: I would say they are
9 carpenters.

10 MR. REILLY: Are they licensed?

11 MR. SUGAR: As far as I know, no.
12 I'd say that the majority are fairly good.

13 MR. REILLY: When you are selling
14 now for three or four different companies, from whom
15 do you purchase the aluminum now?

16 MR. SUGAR: I don't purchase the
17 aluminum.

18 MR. REILLY: Do you buy from Modern
19 or Lifetime or Reynolds or from whom?

20 MR. SUGAR: From nobody. I hand the
21 contract to the company I write it up on and it is
22 approved and if everything is all right they pay me
23 my money.

24 MR. REILLY: So as far as you are
25 concerned you write it up with whatever company will
26 give you the best deal?

27 MR. SUGAR: That's right, yes, sir.

28 MR. REILLY: Thank you, Mr. Chairman.

29 THE CHAIRMAN: Mr. Bukator?

30 MR. BUKATOR: Well, Mr. Chairman, I



1 wouldn't want to ask any questions. I'll get my
2 answers out of the transcript. No doubt they were
3 all answered.

4 MR. SEDGWICK: I just have one
5 question and it arises from one Mr. Reilly asked you.
6 If you sell for three or four companies, with whom
7 does the householder make the contract?

8 MR. SUGAR: Well if I write it, say,
9 for Weathertite, I use the Weathertite contract.

10 MR. SEDGWICK: Well then you do know,
11 at the point of sale, the company to whom you will
12 turn over the contract?

13 MR. SUGAR: Oh, sure.

14 MR. SEDGWICK: Well, I understood
15 you to say to Mr. Reilly that you would make the sale
16 and then turn it over to the company that gave you
17 the best deal?

18 MR. SUGAR: Oh, no, sir. I must put
19 on the company's name before I leave a copy with the
20 customer.

21 MR. SEDGWICK: Well, it wouldn't be
22 Weathertite because they are out of business. Suppose
23 you went out tomorrow and sold a customer, with
24 whom would the contract be made?

25 MR. SUGAR: With the company that I
26 was working for.

27 MR. SEDGWICK: All right, what's the
28 name of that company?

29 MR. SUGAR: Say, Modern, or --

30 MR. SEDGWICK: Modern.



1 MR. SUGAR: Or Stag Home Developments.

2 MR. SEDGWICK: Stag Homes? And then
3 you would turn that contract in to Stag Homes?

4 MR. SUGAR: That's right.

5 MR. SEDGWICK: And that would be the
6 end of your part of it?

7 MR. SUGAR: No. Stag Homes or the
8 company would turn that over to the finance company
9 who would check out the credit. If it's no good it's
10 no good.

11 MR. GOLDEN: Then you wouldn't get
12 any money for it.

13 MR. SGUAR: Right.

14 MR. SEDGWICK: Well then would you
15 carry with you three or four different contract forms;
16 one with Modern, one with Stag Homes, one with
17 somebody else?

18 MR. SUGAR: As a rule I would.

19 MR. SEDGWICK: Which one, basically,
20 do you select?

21 MR. SUGAR: Well, some finance companies
22 are more lenient --

23 MR. SEDGWICK: No, no, no, no. We are
24 not at the point of the finance company now. We are
25 at the point of sale. I and Mr. Lawrence are
26 householders and you have convinced us that we should
27 have aluminum siding. And we say all right, give us
28 a contract, a contract between me, the householder, and
29 who?

30 MR. SUGAR: Let's say --



1 MR. SEDGWICK: No, let's not say.

2 With whom?

3 MR. SUGAR: The company I work for.

4 MR. SEDGWICK: Well, what company
5 do you work for?

6 MR. GOLDEN: Whichever one he gets the
7 best deal from.

8 MR. SEDGWICK: Well listen. With
9 whom would I, the householder, have a contract?

10 MR. PERRY: He would have to
11 evaluate you quickly. In other words be a bit of
12 a psychiatrist and use his imagination. What financial
13 institution you would be most acceptable to. Then
14 from that point would take a contract out from the
15 firm which is doing business with that particular
16 financial institution.

17 MR. SEDGWICK: My golly, it's a
18 mysterious business. You wouldn't say to me: "I
19 represent Stag Homes" or Modern, or anything like that?

20 MR. SUGAR: It's not that complicated.
21 Ninety-five percent of the time I always carry an
22 extra contract.

23 MR. SEDGWICK: What do you mean by
24 that?

25 MR. SUGAR: By two companies.

26 MR. SEDGWICK: Which two at the
27 moment?

28 MR. SUGAR: At the moment I only have
29 one. (Laughter).

30 MR. SEDGWICK: Well, which one do you



1 have at the moment?

2 MR. SUGAR: Stag Home Developments.

3 MR. SEDGWICK: All right. Now you
4 come out to me, a hypothetical purchaser, you have
5 a contract with Stag Home Developments. Isn't that
6 right? So that if I take the contract you are the
7 agent for Stag Homes as principal?

8 MR. SUGAR: Yes, sir.

9 MR. SEDGWICK: And my contract is
10 with Stag Homes. Isn't that right?

11 MR. SUGAR: That's right.

12 MR. SEDGWICK: And if the job is
13 defective it is to Stag Homes that I must look for
14 my cure. That's right?

15 MR. SUGAR: Yes, sir.

16 MR. SEDGWICK: Well now suppose
17 tomorrow you decided to have two companies, which two
18 would you have? Stag Homes and which other one?

19 MR. SUGAR: I didn't get that question.

20 MR. SEDGWICK: You said earlier you
21 usually carry two contracts?

22 MR. SUGAR: Ninety-five percent of the
23 time.

24 MR. SEDGWICK: Ninety-five percent
25 of the time. You would have which companies?

26 MR. SUGAR: Modern and Stag.

27 MR. SEDGWICK: All right. Modern and
28 Stag. I am puzzled as to how you can tell by looking
29 at people whether they are Modern or Stag? (Laughter).

30 MR. SUGAR: Certain companies will not



1 go past a certain business. Certain companies, certain
2 finance companies will not go past a given area.

3 MR. REILLY: Certain companies will
4 take hot paper, so if you look like a poor deal then
5 they --

6 MR. SEDGWICK: Wait a minute. You
7 mean to say that you know when you are selling in,
8 say, Bruce County, you know that Stag can't finance
9 papers in Bruce County?

10 MR. SUGAR: Well a lot of finance
11 companies will tell the company they are only going
12 as far as Cochrane. Now if I want to go past Cochrane
13 I can't --

14 MR. SEDGWICK: I know that, but how
15 do you know it?

16 MR. SUGAR: They tell us. Otherwise
17 we waste a lot of time.

18 MR. SEDGWICK: Suppose you go to
19 Orangeville, which isn't very far away. And you go
20 into a farmer near Orangeville. Which contract would
21 you give him, Stag or Modern?

22 MR. SUGAR: Well, I would give it to
23 the one that I am working for, Stag.

24 MR. SEDGWICK: You are working for Stag.

25 MR. SUGAR: Yes, sir, I am working
26 for them.

27 MR. SEDGWICK: Well, then you wouldn't
28 -- where does Modern come in?

29 MR. SUGAR: Well, certain companies
30 -- Modern will only go as far as Cochrane.



1 MR. SEDGWICK: Let's stick to
2 Orangeville.

3 MR. SUGAR: You can't stick to
4 Orangeville because in Orangeville any finance company
5 would take it. It's close enough. You have to go
6 far away.

7 MR. SEDGWICK: All right then, if
8 you are in Orangeville, say, you give that to Stag?

9 MR. SUGAR: Oh, sure, because I work
10 for them.

11 MR. PERRY: It depends on the size
12 of the farm. If it's a small farm you might think
13 that one company would be more liable to finance it
14 than the other. Right?

15 MR. SUGAR: Not necessarily.

16 MR. SEDGWICK: Well anyway, so that
17 we can understand it, with which finance company does
18 Stag do business?

19 MR. SUGAR: As far as I know I think
20 it is a company called Baker.

21 MR. SEDGWICK: You say as far as you
22 know. Do you know?

23 MR. SUGAR: Well, I don't --

24 MR. SEDGWICK: Well wait a minute. You
25 have already told us that you have the schedule of
26 finance charges of the company. How could you have
27 the schedule of finance company charges if you don't
28 know which company?

29 MR. SUGAR: Well, it's right on Stag's
30 contract. It's right on their contract, there is a



1 chart.

2 MR. SEDGWICK: Then you don't know
3 to which finance company Stag will send it?

4 MR. SUGAR: That's right.

5 MR. SEDGWICK: You do not?

6 MR. SUGAR: No.

7 MR. SEDGWICK: How is it then that
8 you can size up me, the purchaser, and decide which
9 company will accept me? When you don't know? How
10 could you know, Mr. Sugar. You send the contract
11 into Stag, isn't that correct?

12 MR. SUGAR: That's correct.

13 MR. SEDGWICK: They may decide to
14 use any one of a half dozen finance companies, isn't
15 that right?

16 MR. SUGAR: Yes, sir.

17 MR. SEDGWICK: And that decision is
18 made by Stag, not by you?

19 MR. SUGAR: Well as a rule they only
20 deal with one company.

21 MR. PERRY: They usually only deal
22 with one, but if they deal with two --

23 MR. SEDGWICK: We are going to hear
24 from them later. What you tell the Committee is that
25 Stag deals only with Baker?

26 MR. SUGAR: As far as I know.

27 MR. GOLDEN: He's not an officer or
28 shareholder of Baker.

29 MR. SEDGWICK: Oh, no, Mr. Golden.
30 A few minutes ago he said that one of the deciding



1 factors as to which company you would use is which
2 finance company it uses. Now how can he make a
3 decision if he doesn't know?

4 MR. GOLDEN: He would learn the
5 policy of the finance company or the finance companies
6 which Stag uses from Stag.

7 MR. SUGAR: Mr. Sedgwick, a few
8 months ago I was working for Modern and I had a
9 few calls up around Hershey. Modern told us that
10 they would not accept any paper past Cochrane. So
11 I had to go to some other company that would accept
12 paper from past Cochrane.

13 MR. SEDGWICK: Therefore you went
14 to Stag?

15 MR. SUGAR: Right. And that's the
16 reason why it's two companies.

17 MR. SEDGWICK: But when you go to
18 Stag it is Stag's business as to which finance company
19 they select?

20 MR. SUGAR: That's right.

21 MR. SEDGWICK: So you don't know in
22 advance which finance company?

23 MR. SUGAR: No.

24 MR. SEDGWICK: You only know that Modern
25 will only take business up to a certain point north
26 and from that point further on you put the contract in
27 the name of Stag. Is that right? And does Stag
28 take from anywhere in Ontario?

29 MR. SUGAR: They have been up to now.

30 MR. SEDGWICK: Does the Stag price



1 differ from the Modern price?

2 MR. SUGAR: They are pretty much
3 the same.

4 MR. SEDGWICK: Do they sell the
5 same product?

6 MR. SUGAR: The same product.

7 MR. SEDGWICK: I thought possibly
8 their own. Don't you know where their source of
9 supply is? I'm trying to think of who will be the
10 guarantor for this product.

11 MR. SUGAR: Most of their aluminum
12 comes from, I think it's ALSCO.

13 MR. SEDGWICK: It comes from ALSCO.
14 So that the manufacturer who would guarantee it in
15 this case would be ALSCO, is that right? And do
16 you give the purchaser ALSCO's guarantee?

17 MR. SUGAR: If they request it we
18 mail it to them.

19 MR. SEDGWICK: Who does?

20 MR. SUGAR: The company.

21 MR. SEDGWICK: Stag?

22 MR. SUGAR: Stag.

23 MR. SEDGWICK: I still don't understand
24 it, but I guess I never will.

25 MR. LAWRENCE: I don't want to prolong
26 this, but you are now associated with Modern Building
27 Products Limited?

28 MR. SUGAR: Stag.

29 MR. LAWRENCE: And Stag Home Develop-
30 ments?



1 MR. SUGAR: Stag. I'm working for
2 Stag.

3 MR. LAWRENCE: All right. And you
4 have been selling directly as well for Modern Building
5 Products?

6 MR. SUGAR: I have in the past.

7 MR. LAWRENCE: You have been selling
8 for Weathertite?

9 MR. SUGAR: Not since last May.

10 MR. LAWRENCE: I was trying to go
11 back. What other companies in this field have you
12 been dealing with?

13 MR. SUGAR: Since Weathertite?

14 MR. LAWRENCE: Well, how long have
15 you been in the business?

16 MR. SUGAR: I would say around seven,
17 eight years.

18 MR. LAWRENCE: Well, let's start with --

19 MR. SUGAR: I started out with
20 Warner Weathermaster.

21 MR. LAWRENCE: Are they still in
22 business?

23 MR. SUGAR: Oh, sure.

24 MR. PERRY: Aluminum windows.

25 MR. LAWRENCE: Aluminum windows.

26 MR. SUGAR: Strictly.

27 MR. LAWRENCE: And who else?

28 MR. SUGAR: From Warner I worked for
29 a company called Revac.

30 MR. LAWRENCE: Are they still in



1 business?

2 MR. SUGAR: As far as I know.

3 MR. LAWRENCE: And they sell what,
4 aluminum siding, aluminum storm windows and doors?

5 MR. SUGAR: Aluminum siding and
6 aluminum storm windows.

7 MR. LAWRENCE: Do most of these
8 companies deal in the whole works as far as aluminum
9 products are concerned, aluminum siding, storm
10 windows and doors?

11 MR. SUGAR: I would say 95% aluminum
12 siding. And then Modern Building Products.

13 MR. LAWRENCE: You sold directly
14 for Modern Building Products?

15 MR. SUGAR: Directly for Modern.

16 MR. LAWRENCE: So Modern Building
17 Products does not necessarily exclusively employ
18 outside selling agents then? They use their own
19 direct employees? You can work --

20 MR. SUGAR: Oh, I can work for them.

21 MR. LAWRENCE: At the time of
22 Weathertite could you have also worked directly for
23 Modern?

24 MR. SUGAR: Yes, sir, as a salesman.

25 MR. LAWRENCE: What else?

26 MR. SUGAR: Modern Building Products
27 and Stag Home Development and Weathertite for 15 months.

28 MR. LAWRENCE: It's the only one
29 that is not still in existence, Weathertite? That
30 you have been associated with?



1 MR. SUGAR: That's right. Warner
2 Weathermaster is not doing too much but we are the
3 only ones out of business, that's right.

4 MR. LAWRENCE: Thank you.

5 THE CHAIRMAN: You have had a lot
6 of experience in this business then?

7 MR. SUGAR: Selling, yes, sir.

8 THE CHAIRMAN: Are you a pretty good
9 salesman?

10 MR. SUGAR: Some weeks, some months.

11 THE CHAIRMAN: I thought you might
12 be able to sell Mr. Lawrence there.

13 Have you got any letters from
14 any of your customers that indicate they were
15 satisfied? Do you have any with you?

16 MR. SUGAR: Yes we have, but I
17 haven't any with me.

18 THE CHAIRMAN: Approximately how
19 many letters would you have from customers who were
20 satisfied after the work was done, after they had
21 an opportunity of examining it?

22 MR. SUGAR: Well, we have had
23 customers in Timmins -- they helped us with 10 to 15
24 sales. They went around on their own and called
25 us up, so they were very well satisfied. At least
26 15 sales that we made through their recommendation.

27 THE CHAIRMAN: Gentlemen, are there
28 any other questions? Thank you very much for being
29 here.

30 MR. LAWRENCE: Mr. Chairman, if we are



1 going to continue in the construction business field
2 here, is there any chance at all of getting in
3 some of the suppliers, like Modern, for instance?

4 MR. SEDGWICK: We have Stag Homes
5 on the agenda.

6 MR. LAWRENCE: Yes, I see that,
7 but they are in the -- I assume they are mainly --
8 they are not appliers like this Modern.

9 MR. SEDGWICK: I don't know. I never
10 heard of Modern before.

11 THE CHAIRMAN: Did you have something
12 you wanted to add, Mr. Golden?

13 MR. GOLDEN: Yes, sir. I think from
14 the questioning of Mr. Sedgwick and members of the
15 Committee, it has become apparent what is uppermost
16 in the Committee's mind. I have had discussions with
17 my clients about possible suggestions which might be
18 made and quite frankly we discussed it before coming
19 in here today, in as objective a way as possible.
20 Because we wanted to be as helpful as we could. My
21 clients were quite fearful after I explained some of
22 the pitfalls and some of the recommendations they might
23 even make. However -- and I have asked for permission
24 to do so -- I think I may kind of summarize the kind
25 of thing they have and at the same time I would suggest
26 that we are quite aware of the pitfalls.

27 It's impossible to maintain
28 any kind of guarantee which is any better than the
29 company would give you. And it is impossible under
30 our present system form a company and stay in business--



1 the only possible result that we could encourage
2 to keep guarantees in effect would be some kind of
3 bond, which would make the cost of doing business
4 prohibitive, because you would have to guarantee
5 the value of the work and the value of the work, plus
6 the cost of installation, is a major factor in the
7 price. You would literally have to take your overhead
8 and put it up somewhere -- and you are dealing with
9 intangibles. I think one of the best forms of
10 guarantee that the work is being done satisfactorily
11 up to the point where it is completed and is inspected,
12 the best any customer can ask is at the point at
13 which the finance company comes into the picture.
14 Now perhaps some regulations could be worked out
15 whereby finance companies could not be -- this might
16 discourage them from doing business at all -- the
17 finance company could not collect unless they took
18 some very stringent precautions at the time. This
19 might be an answer provided it is related to the
20 sufficiency of the product only. That is about the
21 only thing that would take time to deteriorate. Faulty
22 workmanship would show up right away. However, if the
23 metal is improperly treated and bubbles or rusts or
24 something else happens, then that is something under
25 the law for which you could sue the manufacturer and
26 something that he might be able to guarantee against.
27 By and large the people who make extruded aluminum
28 siding and the people who sell it (next sentence
29 inaudible) -- are not neer-do-well in our society,
30 they are not financially incapable of meeting their



1 obligations -- they have always done so in this
2 company although they went out of business. However,
3 in dealing with a company such as Reynolds Aluminum
4 or some other company -- it may be that some form
5 of guarantee could be taken from them. I would
6 caution, however, against unreasonably extending
7 regulations to the realm of big business, because
8 this is just one business (rest inaudible). He goes
9 out and sells on a hard sell basis and the farm
10 machinery falls apart. Are you going to then licence
11 farm machinery people? Are you going to force them
12 to put up bonds and full guarantees, which might be,
13 in the ordinary context, be considered unreasonable.
14 This is a question which I am sure many of you have
15 heard. The dangers are great.

16 I might make one other point.

17 Mr. Sugar and Mr. Perry were asked whether, after
18 the time they closed down business, they had any
19 complaints. At least they were not aware of any
20 complaints after they had gone out of business.
21 Complaints came before them while they were in
22 business and they were properly dealt with. I think
23 they made it very, very clear that they made every
24 attempt which they could reasonably be expected to
25 make. And it is very easy as an afterthought to say:
26 "Well, you should have left an address here or you
27 should have given them your personal unlisted number
28 or your name or something, in case there was any
29 trouble. If there was a specific issue at the time
30 perhaps they should have. There were a number of



1 suggestions made to these gentlemen about contracts --
2 perhaps of other people, they weren't specifically
3 named -- and I want to be very clear that there
4 is no suggestion before this Committee that these
5 gentlemen engaged in any of this kind of conduct
6 with the once exception that has been raised here
7 today.

8 THE CHAIRMAN: Yes. Thank you.

9 MR. LAWRENCE: There is one thing
10 though that is frustrating all the way through. The
11 manufacturer's warranty, which is a phrase which
12 flows glibly off your client's tongue here, evidently
13 there is something in writing from Modern Building
14 Products Limited who presumably are large scale
15 manufacturers or fabricators in the deal. I mean
16 surely if you people had taken steps to publicize
17 this and hand out whatever it is that's written from
18 these people, there would be no problems right down
19 the line. You are fearful of the warranty from the
20 fabricators --

21 MR. GOLDEN: No, I didn't say I am
22 fearful of them, I said this is one of the steps you
23 could make, to make them forceful. I don't know
24 whether they are forceful.

25 MR. MACDONALD: It might be made
26 obligatory for a salesman to give a warranty on every
27 sale, not just when he is requested to.

28 MR. LAWRENCE: Especially when they
29 utilize the firms applicators or whatever you call them.

30 MR. GOLDEN: In that case, yes.



1 MR. LAWRENCE: Perhaps you have
2 been patsies for the larger companies -- perhaps
3 not you people -- but perhaps other people have been.
4 This is a thing that we of the Committee now have
5 to deal with. But this doesn't absolve the people
6 who are doing the actual selling job of responsibility
7 either.

8 MR. WHILE: I can't understand
9 where you have a warranty why you wouldn't publicize
10 it. Why not?

11 MR. GOLDEN: Because the salesman is
12 trying to make a sale, even if he uses another piece
13 of paper with a dozen conditions. He's got dozens
14 of warranties from customers. It's not the way
15 business works.

16 MR. REILLY: If you are giving a
17 man a piece of paper saying that if perchance this
18 product proves to be inferior your warranty assures
19 you that it will be replaced, and somebody is going
20 to meet it, I would think this would help me in a
21 sale if I were a salesman.

22 MR. LAWRENCE: Especially where you
23 are dealing with fabricators who are not only fabri-
24 cators but are actually supplying the people who
25 install the stuff. In effect you people are only
26 the sales arm of a larger outfit.

27 MR. MACDONALD: If you are not dealing
28 with a company which is going to do the application
29 you would want to resolve any doubts in your mind
30 about who am I dealing with here, what's going to happen.



1 Give him a warranty so the man knows he's going to
2 have a guaranteed product. I just can't understand
3 why you fail to do this now.

4 MR. GOLDEN: Well, I thought I made
5 it clear that I was recommending some sort of a
6 guarantee arrangement. I warned you that there were
7 pitfalls in it and there would have to be some
8 kind of contract established between the manufacturer
9 who gave his warranty and the customer. Because I
10 have visions of the lawsuits that would follow.
11 The manufacturer doesn't know who he is dealing
12 with either. They sell to wholesalers who is
13 turn sell to distributors and retailers who in
14 turn sell to the customer. But they ask you to
15 fill out a card and send it back to them which puts
16 them on, which puts you on their files. At that
17 point there is a contract. You have physically
18 accepted their guarantee.

19 MR. LAWRENCE: Well we both know
20 there is a warranty for the fitness and quality of
21 goods that does not necessarily depend on having
22 a contract.

23 MR. GOLDEN: I would hesitate to
24 sue on such a warranty. There would be problems.

25 MR. KERR: I was just thinking, in
26 the original contract signed by the customer, if
27 there was some reference to the guarantee of the
28 product that you installed, possibly naming the
29 installer, or the particular manufacturer, and then
30 say this contract is financed. If something goes wrong



1 with the material and the normal reaction is that
2 the customer stops paying his monthly payments.
3 Then, of course, the finance company says: "If you
4 don't pay," etc. etc.; and the customer says something
5 is the matter and I have a contract that says
6 this product is guaranteed for a certain length of
7 time. I think there is some () in contract
8 there. But I think you can go even farther by
9 getting a warranty from the manufacturer coupled
10 with your original agreement signed by the customer.

11 MR. MACDONALD: Mr. Chairman, I
12 would just like to say I appreciate the assurance
13 from the gentlemen that they are going to follow
14 through on the Traintinger case, and I shall certainly
15 write them and tell them they can expect some
16 action.

17 THE CHAIRMAN: Anything else?
18 Thank you very much.

19 Gentlemen, do you wish to
20 carry on and stay til one o'clock, or -- is Mr. Simon
21 here from the Stag Home Development Ltd.? Do you
22 wish to tell the Committee anything about the company
23 or would you prefer that we just ask you some questions?

24 MR. SIMON: I'll answer all your
25 questions.

26 THE CHAIRMAN: Okay, fine. Well
27 then, would you proceed, Mr. Sedgwick?

28 MR. SEDGWICK: Well Mr. Simon, you
29 were present all morning, I believe, so you know
30 the general nature of the questions that have been



1 asked.

2 Firstly, as to your company,
3 are you the President of it?

4 MR. SIMON: No.

5 MR. SEDGWICK: What are you?

6 MR. SIMON: I'm sales manager and
7 also run the operation.

8 MR. SEDGWICK: And who is the President?

9 MR. SIMON: Mr. Lou Gould.

10 MR. SEDGWICK: And where are the
11 premises of Stag Homes, where are your business
12 premises?

13 MR. SIMON: 1801 (inaudible) --
14 suite 203.

15 MR. SEDGWICK: Well that's an
16 office, is it?

17 MR. SIMON: Yes.

18 MR. SEDGWICK: Do you have any
19 fabricating facilities or manufacturing facilities?

20 MR. SIMON: Well we store all our
21 material at Alcan Products on Ward Avenue.

22 MR. SEDGWICK: I see, that's a
23 subsidiary aluminum company, is that right?

24 MR. SIMON: It is an aluminum company.
25 They manufacture it.

26 MR. SEDGWICK: Yes. So that you do
27 not manufacture?

28 MR. SIMON: No.

29 MR. SEDGWICK: Do you buy exclusively
30 from Alcan?



1 MR. SIMON: Right now, yes. We have
2 bought through several other companies.

3 MR. SEDGWICK: And then for your
4 method of operation, you sell through salesmen?

5 MR. SIMON: Through salesmen, right.

6 MR. SEDGWICK: How many salesmen
7 do you have?

8 MR. SIMON: Now eight.

9 MR. SEDGWICK: Eight. And is Mr.
10 Sugar one of them?

11 MR. SIMON: He does give us work.

12 MR. SEDGWICK: He brings in contracts
13 for you. And he said that at the moment he was
14 working exclusively for you. I understood him to
15 say that that was primarily because you can finance
16 contracts up in the northwestern part of Ontario.
17 Is that correct?

18 MR. SIMON: Well, we don't finance
19 contracts. We turn them over to a financial
20 institution.

21 MR. SEDGWICK: Which finance
22 institution do you use?

23 MR. SIMON: We deal with Baker
24 Acceptance. We also deal with Popular Finance. These
25 are the two general ones.

26 MR. SEDGWICK: Those two, eh? Are
27 they both in Toronto?

28 MR. SIMON: Baker is in Toronto and
29 Popular is in Port Credit.

30 MR. SEDGWICK: Then some mention has



1 been made of this other firm, Modern. Do you know
2 anything about that firm?

3 MR. SIMON: Well, Modern was taken
4 over by Reynolds Aluminum. It's called Racan now.

5 MR. SEDGWICK: Oh, I see. So that
6 Racan -- and I see they are on our agenda for
7 tomorrow -- they have taken over Modern. Is that
8 right?

9 MR. SIMON: Yes.

10 MR. SEDGWICK: As to your method
11 of installation, do you do the work yourselves?

12 MR. SIMON: Usually.

13 MR. SEDGWICK: You have your own
14 employees?

15 MR. SIMON: We have our own
16 contractors and we also sub-contract.

17 MR. SEDGWICK: Then you take the
18 responsibility yourselves?

19 MR. SIMON: We take the full
20 responsibility for any job we do -- for the workman-
21 ship. The material itself carries a guarantee from
22 Alcan. If the material is inferior -- we have had
23 cases where we have ripped off a complete wall because
24 two colours of white come through. The material itself
25 is guaranteed by the company, which is Alcan and
26 Reynolds and Tiger. The workmanship is guaranteed
27 by us.

28 MR. SEDGWICK: I see. And do you give
29 the homeowner, the purchaser, a guarantee in writing?

30 MR. SIMON: We don't. Alcan does. If



1 there's a guarantee question it is turned over to Alcan.

2 MR. SEDGWICK: And their guarantee
3 will, of course, be restricted to the materials?

4 MR. SIMON : The materials.

5 MR. SEDGWICK: Yes. You don't volunteer
6 a guarantee.

7 MR. SIMON: Well, pretty well on the
8 job a man gives a guarantee.

9 MR. SEDGWICK: Yes. And then as to
10 your financing, you heard what Mr. Sugar said. Do
11 you finance in the same way?

12 MR. SIMON: Well, he said quite a
13 few things.

14 MR. SEDGWICK: Well, he didn't really,
15 and I didn't make much sense out of some of them. But --

16 MR. SIMON: Well, I'm trying to clear
17 up what Mr. Sugar said.

18 MR. SEDGWICK: Well, I always like
19 to take a sort of concrete hypothetical case. Mr. Sugar
20 said about \$1,500.00 would be a fair average of a
21 contract.

22 MR. SIMON: Well, you can't take one
23 figure. Last year the average contract ran us \$1542.00,
24 or an average of 12½ square.

25 MR. SEDGWICK: All right. 1500 isn't
26 too far off. And then when you get the contract, let's
27 say it's for \$1,500.00. That would cover the cost
28 of the material and the cost of the applicator who does
29 the job. Is that right?

30 MR. SIMON: Yes. The cost of the



1 commissions paid out.

2 MR. SEDGWICK: Yes. And then if it
3 is, as most of them are, a time sale, you would then
4 add to that the financing cost. Is that right?

5 MR. SIMON: The financing cost would
6 be added on top of the contract price.

7 MR. SEDGWICK: On top of the contract
8 price. And then you would get a note, is that correct?
9 You would get a note?

10 MR. SIMON: Well this is the only the
11 security the finance company has, is the note.

12 MR. SEDGWICK: Because the conditional
13 sales contract is unimportant.

14 MR. SIMON: The conditional sales
15 contract only represents one thing -- the work that
16 is being done on the home, the contract price.

17 MR. SEDGWICK: Yes. And do you take
18 a conditional sales contract?

19 MR. SIMON: We also take a credit
20 application --

21 MR. SEDGWICK: Yes, but if you take
22 a conditional sales contract you have a theoretical
23 right to take the siding off if they don't pay for it.
24 Is that right?

25 MR. SIMON: You can't take the siding
26 off.

27 MR. SEDGWICK: I would think not. But
28 the essence of a conditional sales contract is that
29 title to the siding remains with you, the seller, until
30 the amount is paid. Isn't that correct?



1 MR. SIMON: I don't understand what
2 you mean?

3 MR. SEDGWICK: Well -- a conditional
4 sales contract ordinarily permits the seller to
5 repossess the article.

6 MR. SIMON: On a recourse basis. When
7 you put a nail in the wall you can't take the nail
8 out.

9 MR. SEDGWICK: I know you can't and
10 that's why --

11 MR. SIMON: We are involved with two
12 different things here. You are talking about repossession
13 and labour is work you do on someone's home. Repossession
14 of a TV or Hi-Fi -- you can repossess it.

15 MR. SEDGWICK: I know. So you can't
16 repossess. So that there is no sense in a conditional
17 sales contract.

18 MR. SIMON: There is no sense to it?

19 MR. SEDGWICK: No.

20 MR. SIMON: How would you know the
21 work would be done?

22 MR. SEDGWICK: I don't seem to be able
23 to make myself clear. But you understand that a
24 conditional sales contract applies to a TV set, a car
25 or a refrigerator, something that the seller can
26 repossess.

27 MR. SIMON: No, that's not true. You
28 must have a contract to stipulate the work that is
29 being done, the goods that are being supplied, the
30 amount of money that is being paid. It's all in the



1 contract between two people.

2 MR. SEDGWICK: That's right, but that
3 isn't a conditional sales contract. That is a contract.

4 MR. SIMON: Maybe I understand the
5 words wrong.

6 MR. SEDGWICK: Well, I can't --

7 MR. SIMON: It's a contract. Is there
8 a difference between a conditional sales contract and
9 a contract?

10 MR. SEDGWICK: Oh yes, a very great
11 difference. A conditional sale is a sale that is
12 subject to conditions that the article is to be paid
13 for and if the article is not paid for that the seller
14 can repossess it.

15 MR. SIMON: Then it must be just a
16 contract.

17 MR. SEDGWICK: Yes, it's just a plain
18 old contract. Do you have one of your contracts
19 with you?

20 MR. SIMON: No, I don't. I called
21 Mr. Harcourt before I came and I asked him to list
22 anything he wanted me to bring.

23 THE CHAIRMAN: Well, you can make one
24 available to Mr. Harcourt later.

25 MR. SEDGWICK: Then when you get your
26 contract signed -- and I am looking at the Weathertite
27 contract and I assume that your contract is similar --
28 then you put in according to this the total cash selling
29 price, the downpayment, the balance due if paying cash
30 and the balance due if financed. Is that correct?



1 MR. SIMON: The contract price is put
2 in. Not in all cases, but in I'd say about one third
3 of the cases the finance charges are put in. The
4 payments are put in in all cases.

5 MR. SEDGWICK: Yes. And then you pay
6 a commission to the salesman, do you?

7 MR. SIMON: Then we break the deal
8 down to his costs and pay him the difference between
9 what the contract calls for and what we charge him.

10 MR. SEDGWICK: How much would it be
11 on the average contract?

12 MR. SIMON: On the average contract
13 it is roughly around, in the area of about \$500.00.
14 Now this split up among two men, and their expenses
15 are taken out of this.

16 MR. SEDGWICK: Why two men?

17 MR. SIMON: Well, in this business
18 here, canvassing and closing, which gives us a canvasser
19 and a salesman. The canvasser knocks on the doors, gets
20 the leads and the salesman closes the deal for him.

21 MR. SEDGWICK: Which is Mr. Sugar?

22 MR. SIMON: A closer. He's called a
23 a salesman.

24 MR. SEDGWICK: He's a closer. And just
25 so the Committee will understand it, why couldn't he
26 knock at the door?

27 MR. SIMON: Well, he probably has.
28 He can knock on doors.

29 MR. SEDGWICK: He looks big enough.

30 (Laughter). We didn't get this from Mr. Sugar. You mean



1 that a salesman on a closure would only go to the place
2 where the initial representations had been made and
3 interest had been expressed. Is that correct?

4 MR. SIMON: In about 75% of the deals
5 we get in. About 25% are referrals or from mail that
6 we mail out to different areas.

7 MR. REILLY: I'm sorry -- I didn't
8 get what the 75% were.

9 MR. SIMON: Where we canvas jobs,
10 where jobs are canvassed by one of our salesmen. The
11 other 25% of our jobs are either referrals that
12 are sent in or from mail that we have sent out.

13 MR. SEDGWICK: Well, let's take the
14 canvasser. He goes in and interests the prospective
15 purchaser, does he?

16 MR. SIMON: Yes.

17 MR. SEDGWICK: And what part of the
18 commission does he get?

19 MR. SIMON: It depends on the deal or
20 the arrangements they have.

21 MR. SEDGWICK: Oh, so they work as a
22 team, do they?

23 MR. SIMON: The work as a team.

24 MR. SEDGWICK: And the commission, you
25 say, on a \$1,500.00 job would be about \$500.00. They
26 would then get \$250.00 a piece?

27 MR. SIMON: From which, of course, they
28 would have to pay their expenses.

29 MR. SEDGWICK: Yes. And do they go
30 out together as a team?



1 MR. SIMON: Yes.

2 MR. SEDGWICK: Well, I still don't
3 follow it. If they go together why is it necessary
4 to have one knocking at doors and the other closing.
5 Why couldn't one man knock at the door and close also?

6 MR. SIMON: Well, one man is a salesman
7 and one man is a better talker.

8 MR. SEDGWICK: I still don't follow it.
9 I would have thought the salesman would be the talker.
10 What is the object of having two men? Is it to
11 pressure the purchaser?

12 MR. SIMON: Well, there are quite a
13 few things involved here. For one thing it is pretty
14 lonely on the road by yourself.

15 MR. SEDGWICK: Why doesn't he take
16 his wife? (Laughter).

17 MR. REILLY: Mr. Sedgwick, I was
18 wondering if it is possible that one man might have
19 to have knowledge and ability --

20 MR. SEDGWICK: Well, I was thinking
21 of that, but nobody has said so.

22 MR. SIMON: Well, to measure a home,
23 to find out the amount of material you need for a job,
24 one man can't measure alone. He would have to have
25 the customer help him.

26 MR. SEDGWICK: You say it takes two
27 men to measure a building. Is that right?

28 MR. SIMON: It would take two men to
29 measure the building, yes.

30 MR. SEDGWICK: I still don't understand.



1 MR. SIMON: Why two men go out together
2 is something you just laughed at. Did you ever take
3 something like a 2,000 mile trip by yourself?

4 MR. SEDGWICK: Yes, I have.

5 MR. SIMON: Well, we do it every week
6 and it gets kind of boring, kind of hard. Also driving
7 -- two men helping drive. One man has to canvas,
8 one man has to close. Whether Mr. Sugar canvasses or
9 closes, he is still a salesman.

10 MR. SEDGWICK: But if they are there
11 together I would have thought they would both canvas
12 and both close.

13 MR. SIMON: Well, maybe one man
14 doesn't know enough. In this case here -- Mr. Perry
15 and Mr. Sugar -- they worked together and they both
16 did canvas and they both did close.

17 MR. SEDGWICK: Together.

18 MR. SIMON: Yes.

19 MR. SEDGWICK: Did they both work
20 for your company?

21 MR. SIMON: At one time, yes.

22 MR. SEDGWICK: And they would go out
23 as a team, is that right?

24 MR. SIMON: Yes, before they had
25 Weathertite, but not after.

26 MR. SEDGWICK: Well then, did you have
27 many complaints from customers that the job hasn't been --

28 MR. SIMON: We had a few.

29 MR. SEDGWICK: What did you do?

30 MR. SIMON: We have a service crew that



1 we send out. We didn't have many -- one and a half
2 complaints a week on service. We also hold a 10%
3 holdback on our applications in the event of any
4 service calls. And we find that after two months
5 or three months if the man is satisfied with the job
6 he will be satisfied. We also have our own service
7 truck, our own service applicator, that goes on these
8 service calls. In some cases it does take a little
9 longer to service calls, but we get them done.

10 MR. SEDGWICK: But meantime the
11 houseowner is liable to the finance company for the
12 full amount of the contract.

13 MR. SIMON: You are putting it down
14 pretty harsh.

15 MR. SEDGWICK: Well, I don't know,
16 just answer the question.

17 MR. SIMON: The finance company is not
18 going to lay the money out unless the person is 100%
19 satisfied, unless they feel that the customer is 100%
20 satisfied.

21 MR. SEDGWICK: How can they know?

22 MR. SIMON: Well, when we get a
23 contract in we put it into our finance institution and
24 they check the people out as far as credit is concerned.
25 They see whether these people can afford this type of
26 obligation. Now after they feel that these people can
27 afford this obligation -- every finance company works
28 differently. Let's take Baker Acceptance. While they
29 are checking the contract out they will call the customer.
30 Now this is before any work has been done. They will



1 call the customer. It may take a period of two days
2 before we get the approval from the finance institution.

3 MR. LAWRENCE: You actually know
4 that they contact them?

5 MR. SIMON: Contact them? Oh,
6 definitely.

7 MR. KERR: How, by telephone?

8 MR. SIMON: By telephone.

9 MR. LAWRENCE: Long distance calls?

10 MR. SIMON: All long distance calls.

11 MR. LAWRENCE: When did they start
12 this?

13 MR. SIMON: I don't know when they
14 started -- since we've been financing with them.

15 MR. LAWRENCE: When was that? When
16 did you start with them?

17 MR. SIMON: We have been dealing with
18 Baker now about six months.

19 MR. LAWRENCE: About a year?

20 MR. SIMON: About six months.

21 MR. LAWRENCE: Oh, about six months.

22 I apologize for interrupting, Mr. Sedgwick.

23 MR. SEDGWICK: Do the Baker Finance
24 people call the customer collect or at their own
25 expense?

26 MR. SIMON: At their own expense.

27 MR. SEDGWICK: At their own expense. And
28 they call before they accept the credit risk, is that
29 right?

30 MR. SIMON: Before they accept the credit



1 risk, yes.

2 MR. SEDGWICK: Yes. So they are not
3 calling to see if the job is well done?

4 MR. SIMON: Oh, no. Let me finish.
5 Now we get their approval on the deal and we call them
6 to find out exactly what the work, what it is, how they
7 want it done. For instance a lot of times while the
8 salesman is in the home he will forget to mark something
9 on the contract. After we go over the contract with
10 the customer he will tell us something the salesman
11 promised him that isn't on the contract.

12 MR. KERR: This would have to be night
13 work mainly? Night phone calls?

14 MR. SIMON: Who knows? I don't know.
15 We do a heck of a lot of work up north, Sudbury, Sault
16 Ste. Marie, and it's all ship work, so it doesn't
17 necessarily have to be done at night.

18 Before we would ship any
19 material at all we would contact the customer and go
20 over the contract with them, to what was promised and
21 to what is on the contract. You don't necessarily go
22 by what's on the contract, you go by what was promised
23 the customer. If there has been any promise made to
24 the customer and it's not done, we cannot get paid by
25 the finance company. And there is no job I would put
26 up if I don't feel I'm going to get my money back from.

27 MR. SEDGWICK: When does the finance
28 company pay you? In point of time?

29 MR. SIMON: When the job is completed
30 to the customer's satisfaction. It has to be checked out



1 with the customer.

2 MR. SEDGWICK: By the finance company?

3 MR. SIMON: Right, by the finance
4 company.

5 MR. SEDGWICK: How do they do that
6 checking? By phone, again at their own expense?

7 MR. SIMON: Again at their own expense,
8 by phone.

9 MR. SEDGWICK: I see.

10 MR. SIMON: In a case where a customer
11 hasn't a phone, I won't get paid until they have
12 either sent a man out to see the job or they get the
13 man by telegram or by mail.

14 MR. SEDGWICK: I see. They wouldn't
15 be likely to send a man to see a job --

16 MR. SIMON: They talk to him and the
17 customer before they pay us.

18 MR. SEDGWICK: Do they? I see. Then
19 this may not apply to you, but the Weathertite contract,
20 which I have, has a clause which says the order is
21 not subject to cancellation and if the customer does
22 cancel it he must pay the contract of 50% of the contract
23 price as liquidated damages. Do you have anything --

24 MR. SIMON: We have a clause too, but
25 we never stick to it. If a man feels he wants to
26 cancel -- we have had this before -- if he feels he
27 wants to cancel it's better to let him out.

28 MR. SEDGWICK: Why do you put the
29 clause in? In a \$1,500.00 contract ---

30 MR. SIMON: Because we don't want any



1 cancellations. Mr. Sugar said it takes him two or
2 three days to start a job. Well, we have had cases
3 where we couldn't start a job for a month, three weeks.
4 Because there are certain applicators who do certain
5 types of work, and you have to wait until those
6 applicators have finished a job and are ready to go
7 to work again.

8 MR. SEDGWICK: But does your contract
9 read that if the buyer should change his mind the next
10 day he would still be liable to you for half of the
11 contract price? Is that correct?

12 MR. SIMON: Ours reads 25%. Yes,
13 this is in our contract but we never hold anyone to it.
14 We have never held anyone to it. Why it's on the
15 contract is because we don't want any cancellations, we
16 don't want people to call up and cancel.

17 MR. KERR: Particularly after
18 installation.

19 MR. SIMON: Once an installation
20 starts we won't allow him to cancel.

21 THE CHAIRMAN: Mr. Whicher, do you
22 have any questions? Mr. Lawrence?

23 MR. LAWRENCE: I am still confused
24 regarding the guarantee or warranty. Now you say there
25 is a manufacturer's warranty?

26 MR. SIMON: There is a manufacturer's
27 warranty, yes.

28 MR. LAWRENCE: With which you have
29 nothing, really, to do. This is if there is something
30 wrong with the actual thing itself?



1 MR. SIMON: If there is something
2 wrong with the installation itself, we will repair it.

3 MR. LAWRENCE: Do you give this in
4 writing?

5 MR. SIMON: Well, a lot of salesmen
6 mark this right on the contract. It's not in print
7 on the contract, no. But it's marked in the contract
8 that all workmanship and materials are fully guaranteed.

9 Now, when the job is completed
10 we call Alcan and tell them to send out a guarantee --
11 a 15 year guarantee -- for the materials.

12 MR. LAWRENCE: Right. And have you had
13 occasions to refer customers to the manufacturer because
14 of this. Is this frequent?

15 MR. SIMON: In many cases we have had
16 the individual customer call Alcan and talk to either
17 Mr. Blanning or Mr. Sol Singer. Mr. Blanning is manager
18 of the siding division of Alcan Limited here in Toronto.
19 There have been quite a few calls to Alcan to make sure
20 that people are getting the proper material. Alcan is
21 well advertised, they have heard of Alcan, it carries
22 good guarantees, and the material itself is good material,
23 providing there are no flaws in the material that comes
24 to us -- that is a thing that happens --

25 MR. LAWRENCE: Oh, yes. Have your
26 customers in the main, as far as you are aware, have
27 they had satisfaction from the manufacturer when they
28 have relied on its warranty?

29 MR. SIMON: Yes, they have. As far as
30 I know they have.



1 MR. LAWRENCE: How about your own
2 installation warranty or guarantee? As I understand
3 it there is nothing printed, but it is written on
4 by the closer only if the customer -- if it happens
5 to occur to the customer and he has the closer write
6 it on. Is that correct? This is regarding the
7 installation.

8 MR. SIMON: That's true, but --

9 MR. LAWRENCE: I thought you told me
10 there is no written, no printed, guarantee or warranty
11 in regard to installation?

12 MR. SIMON: We sell material to
13 contractors who are building homes. The price that
14 we sell material to them for, it's the same material,
15 it meets the same specifications, but we won't put a
16 guarantee on it if we are selling material to a
17 contractor. We don't have to guarantee the material
18 to them. They know what they are getting. We won't
19 guarantee workmanship or materials.

20 MR. LAWRENCE: I'm not talking about
21 the materials. I'm talking about the installation, not
22 the materials. I mean, for instance, if you do a job --
23 the material is fine but the installation is a lousy
24 job, what can I do about it? Is there any written or
25 printed contract regarding good workmanship, as far
26 as you are concerned, and as far as I am concerned?

27 MR. SIMON: Only if it is written into
28 the contract.

29 MR. LAWRENCE: If the prospective
30 customer happens to think of it then your closer has your



1 authority to write it in?

2 MR. SIMON: That's right.

3 MR. LAWRENCE: It's not on the printed
4 form?

5 MR. SIMON: It's not on the printed
6 form, no.

7 MR. LAWRENCE: No. Now, I gather there
8 have been some complaints or many complaints to you
9 regarding installation. Right? One and a half
10 complaints per week?

11 MR. SIMON: Yes. One to one and a half
12 complaints per week.

13 MR. LAWRENCE: What sort of volume are
14 we talking about?

15 MR. SIMON: We are talking on the
16 average of about 600 contracts a year.

17 MR. LAWRENCE: 600 a year? This would
18 be -- my arithmetic is kind of slow here -- this would
19 be what? Eleven or twelve a week?

20 MR. SIMON: That is right.

21 MR. LAWRENCE: And you have one and a
22 half out of 11 or 12 a week in which there are complaints
23 regarding installation?

24 MR. SIMON: No. Regarding materials
25 or installation.

26 MR. LAWRENCE: I see. And of the
27 complaints that you receive, which can be either for
28 installation or material, what is the breakdown in regard
29 to which is which?

30 MR. SIMON: This is a hard question to



1 answer. I would say there would be roughly two out
2 of three or four out of five are service calls. I
3 would say 90% of our complaints are service calls running
4 in the area of \$5.00. An applicator might have
5 finished off after six. It was dark and he forgot to
6 top a front door or a window.

7 MR. LAWRENCE: Yes. But, Mr. Simon, I
8 am not taking about those. You and I are both aware
9 that there have been very serious allegations on many
10 cases made against Stag Home Development Ltd.
11 Allegations which amount to --

12 MR. SIMON: No, that's not true.

13 MR. LAWRENCE: It's not true. You
14 have not had those allegations made?

15 MR. SIMON: You are talking about
16 fraud in itself, are you?

17 MR. LAWRENCE: I am talking about very
18 serious allegations concerning --

19 MR. SIMON: Fraudulent selling?

20 MR. LAWRENCE: Wrong representations
21 made by the seller, the canvasser or the closer. Now I
22 am asking, I'm not making any statements. I am asking
23 you if these allegations have been made involving
24 blank contracts filled in afterwards without the
25 prospective customer's knowledge?

26 MR. SIMON: That's not true.

27 MR. LAWRENCE: It's not true?

28 MR. SIMON: No, sir.

29 MR. LAWRENCE: These allegations have
30 not been made to you?



1 MR. SIMON: No, sir. It can't be.
2 We wouldn't write a contract that had any more than
3 what was in the customer's home.

4 MR. LAWRENCE: I see.

5 MR. SIMON: Unless it got by somebody.
6 It might have.

7 MR. LAWRENCE: I want to be fair to
8 you. You have no knowledge of complaints in that
9 regard that have been made to you --

10 MR. SIMON: That something has been
11 written in after? After the contract has been assigned
12 to us?

13 MR. LAWRENCE: A blank contract.

14 MR. SIMON: A blank contract had been
15 signed? We had a case where a blank contract had
16 been signed, but it was a drop in price, it was a
17 second contract drawn up.

18 MR. LAWRENCE: Is that the only one
19 that you can think of?

20 MR. SIMON: That I can remember, yes.

21 MR. LAWRENCE: And how long have
22 you been operating?

23 MR. SIMON: Sometimes a contract does
24 get by us. We try and phone contact every deal that
25 we have, but in a period of a week you can, the odd time,
26 miss one. But not to our knowledge.

27 MR. LAWRENCE: Have there been threats
28 of court action against Stag Home Development?

29 MR. SIMON: We have only had one.

30 MR. LAWRENCE: One? How long have you



1 been in operation?

2 MR. SIMON: Two years.

3 MR. LAWRENCE: Two years. And have
4 there been any other serious complaints or serious
5 offences made against Stag?

6 MR. SIMON: Oh yes, there have been
7 serious complaints, service calls. It depends on the
8 way the contract is sold. But why is it the complaint
9 comes after the job is done and not when we check the
10 job out?

11 MR. LAWRENCE: Well this is what I
12 am trying to find out.

13 MR. SIMON: Why is it this complaint
14 comes, it isn't found out before the job is done. We
15 make three phone calls before the job is done and
16 one phone call before we pay our applicators. Why
17 is it that people state on completion that they are
18 100% satisfied with all the workmanship that is on
19 the contract?

20 MR. LAWRENCE: This is what I am
21 trying to find out, because even --

22 MR. SIMON: We have one right now that
23 I have spent over \$1,000.00 on service. I can't
24 satisfy them. I just can't satisfy them, there is no
25 way I can satisfy them. But I have involved in this
26 contract over \$2,000.00. All I am trying to do is just
27 salvage some of the money. I still can't finish it,
28 regardless of what I do.

29 MR. LAWRENCE: May I wonder out loud
30 with you then? Is it possible for one of your closers



1 to have a completion slip signed by the customer at
2 the same time --

3 MR. SIMON: Our completion slip is
4 our work order. The bottom of the work order states
5 all the work that is to be done under the contract.

6 MR. LAWRENCE: You have never had a
7 signed completion slip come to your knowledge at the
8 same time as --

9 MR. SIMON: Never. Never at any
10 time has there ever been a completion slip signed
11 in the house before the -- what you are talking about --
12 you are going back now, four or five years, when
13 Premier, Premier Acceptance Corporation wanted a
14 completion slip on every contract and a lot of men
15 would bring them in before.

16 MR. LAWRENCE: But with Stag you have
17 never had one? Never had a completion slip brought
18 in by the salesman?

19 MR. SIMON: Every completion slip is
20 signed, there are two completion slips signed. A
21 duplicate for the office and a duplicate for the --
22 one is for the office, the original, and one for the
23 finance company. And unless this is signed you will
24 not be paid on your contract. Unless this contract
25 checks out 100% with the acceptance corporation, after
26 the work has been completed, you still can't be paid
27 on the contract. When they give their money to you they
28 want to get their money back. And the only way they
29 are going to get their money back is if the job is done
30 properly and the job is sold properly.



1 MR. LAWRENCE: Well how do you explain
2 the one and a half per week service calls?

3 MR. SIMON: I just finished explaining
4 that. It may be dark when the man finishes a job.
5 He might have forgot to top a window. He might have
6 forgot to top a door. Mostly, -- I'd say 90% if not
7 more -- of our service calls are that the door wasn't
8 topped, or two doors weren't topped. Or an applicator
9 would walk off a job and send another applicator to
10 finish the job. Every applicator works differently.

11 MR. LAWRENCE: Do these complaints
12 come to you directly from the customer or from the
13 finance company?

14 MR. SIMON: When the finance company
15 phone checks they find it out, or when we phone check.
16 Most of them are found before we even pay our
17 applicators. Now take this instance -- I have an
18 applicator come in. He has just finished a job. Say
19 his work bill is -- say \$200.00. Would you expect me
20 to pay him unless that work was done to the customer's
21 satisfaction? Would you pay me if I applied material
22 for you?

23 MR. LAWRENCE: No, I wouldn't.

24 MR. SIMON: I wouldn't either. I
25 wouldn't pay any applicator either.

26 MR. LAWRENCE: So much hinges on the
27 customer's satisfaction, I am just wondering if I
28 would trust, a clerk for instance in my own office,
29 making a phone call. Shouldn't there be something
30 a little more specific?



1 MR. SIMON: Wait a minute now. Maybe
2 I'm not explaining this properly. I am the one that
3 does all the phone checking.

4 MR. LAWRENCE: You do it yourself?

5 MR. SIMON: I do it myself, yes. Or
6 Mr. Gould.

7 MR. LAWRENCE: I see.

8 MR. SIMON: When we lay out \$1,500.00
9 or \$1,000.00 on a job I want to get my money back. And
10 the only way I get my money back is if these people
11 are satisfied, 100% satisfied. Not five cents before.

12 MR. LAWRENCE: Right.

13 MR. SIMON: And the only way you can
14 do this is by phone checking. You may make as much
15 as six, seven calls. It doesn't ordinarily run past
16 three or four, but we have made six or seven phone
17 calls, to make sure the work is done properly, to make
18 sure the contract corresponds with his contract, to
19 make sure everything is being done to his satisfaction,
20 everything has been done to his satisfaction. Otherwise
21 we can't get paid. It's a circle.

22 MR. LAWRENCE: And on top of your
23 phone calls then, as well the acceptance company makes
24 check calls?

25 MR. SIMON: In the case of Baker --
26 only in the case of Baker do they make two phone calls.
27 In the case of Popular, they make one phone call, and
28 that is when the job is completed. They don't call the
29 customer until then.

30 MR. LAWRENCE: When is the completion



1 slip signed and when do you receive it?

2 MR. SIMON: I receive it when the
3 applicator finishes a job and is in the office the
4 next morning.

5 MR. LAWRENCE: I see. It's the
6 applicator who gets that signed?

7 MR. SIMON: Right.

8 MR. LAWRENCE: I see. It doesn't go
9 out from you at a later date?

10 MR. SIMON: After the work has been
11 completed -- you see when we phone check the job I
12 tell the people, the customer, that when the job
13 is completed the applicator will give you a completion
14 slip to sign in duplicate. Do not sign it unless you
15 are 100% satisfied with the work.

16 MR. LAWRENCE: Is it written on the
17 form too?

18 MR. SIMON: Certainly.

19 MR. LAWRENCE: Could we have a copy
20 of that?

21 MR. SIMON: I'll send one to Mr.
22 Harcourt, a copy of our contract as well as our note
23 and credit application.

24 MR. LAWRENCE: Now getting back to
25 this one and a half average per week. By far I would
26 assume the majority of those are merely like topping
27 around the doors and minor jobs?

28 MR. SIMON: Right. Then again there is
29 the odd job that comes through -- well there is one
30 job I am thinking of in particular here -- it was a big



1 home, over 20 square. The average job is roughly about
2 12 square. This job was a 20 square job and when
3 we finished there were four or five different colours.
4 You can never get two whites identical. It's been
5 proven, it's something you can't do anything about.
6 You can never get two whites identical. Apparently we
7 had two shipments and there were two different
8 colours of white. Alcan ripped the complete job off,
9 the complete house off, and rebuilt the complete thing.
10 There was a \$1,500.00 loss in materials; and Alcan
11 will do this. They stand behind their name and their
12 product. As far as material thickness is concerned,
13 every bar is standard. There are three or four different
14 thicknesses in material -- there is an 016, there is an
15 019, there is an 025. We use 025. It's the only
16 siding that Alcan handles, as far as we are concerned.

17 MR. LAWRENCE: There are differences
18 in gauge?

19 MR. SIMON: There are differences
20 in gauge, but every box has the thickness of the
21 material on it. It doesn't say 025. It says between
22 024 and 026, because they can't get it exact.

23 MR. LAWRENCE: Do all your canvassers
24 and closers have the same knowledge of the industry
25 and the jobs as Mr. Sugar? He didn't seem to know
26 there is more than one gauge.

27 MR. SIMON: He doesn't really know
28 the inside work that goes on in the company because
29 he never ran a company himself. He's a salesman on the
30 road out to sell siding.



1 MR. LAWRENCE: Now does Alcan have
2 the same deal as Modern has --

3 MR. SIMON: I don't have any dealings
4 with Modern.

5 MR. LAWRENCE: -- whereby the sales
6 outfit is financed in the interval before the approval
7 comes through?

8 MR. SIMON: The financing of the
9 contract has absolutely nothing to do with Alcan.

10 MR. LAWRENCE: I am aware of that, but
11 whose money do you use in the interval?

12 MR. SIMON: Our money.

13 MR. LAWRENCE: Your money alone, not
14 Alcan's?

15 MR. SIMON: The money we use for
16 every installation, for our commission, for purchasing
17 materials and so forth is Stag money.

18 MR. LAWRENCE: You heard of the deal
19 Mr. Sugar and Mr. Perry had with Modern whereby they
20 were financed during that interval by Modern. Do you
21 have that sort of arrangement with any supplier?

22 MR. SIMON: No.

23 MR. LAWRENCE: And you use only Alcan?

24 MR. SIMON: Right now all we use is
25 Alcan. We have used Reynolds. I don't like Reynolds'
26 material. We have used Kaiser, which is known now, or
27 what was known as Alsco. Why we use Alcan is the price
28 is in line with the competition, the material is good.
29 We don't have any trouble with it. And their service
30 is good. If I want material on Saturday afternoon, I



1 get the material.

2 MR. LAWRENCE: Now your installers
3 or applicators or whatever you call them, they are
4 not supplied to you?

5 MR. SIMON: No.

6 MR. LAWRENCE: Are they all employees
7 of yours or are they sub-contractors?

8 MR. SIMON: They are mostly contractors,
9 sub-contractors.

10 MR. LAWRENCE: Sub-contractors.

11 MR. SIMON: We pay so much per square.

12 Now there is something I will clear up with you now.
13 We had an applicator who came in and told us he had
14 worked for Modern and he had worked for Alsco. And
15 I thought I'd call. So I called Alsco and they said
16 the man was pretty fair, a pretty good applicator.
17 So I took him on and we sent him up to do a couple of
18 jobs just outside of Toronto here. And when we fired
19 him the service calls cost us over \$800.00 to fix his
20 work.

21 MR. LAWRENCE: This is an extreme
22 example of --

23 MR. SIMON: This is an extreme example.

24 MR. LAWRENCE: As far as you are
25 concerned. On the whole have you been satisfied with
26 your sub-contractors?

27 MR. SIMON: I would say we are satisfied
28 with most of the applicators we have, yes.

29 MR. LAWRENCE: And do you have a
30 contract regarding good workmanship with them?



1 MR. SIMON: With the contractors?

2 MR. LAWRENCE: Yes?

3 MR. SIMON: No. We have a 10%

4 holdback. This is a lot stronger than a contract. We
5 have a 10% holdback on the applicator's pay, which means
6 if he has a service call, if he wants the 10% he is
7 going to have to go up and do the service call. It's
8 not a 10% holdback with one contractor. It's a 10%
9 holdback on all his work for two months. It can
10 amount to maybe four or five hundred dollars. And
11 that is held back and if he doesn't do a service call
12 then I have another applicator go out and it is paid
13 for out of the 10% holdback.

14 MR. LAWRENCE: I see. So with that
15 10% holdback you have that lever over their heads to
16 make sure the job is done right.

17 MR. SIMON: It's a lot stronger than
18 a contract.

19 MR. LAWRENCE: Now are these sub-
20 contractors large ones or small ones or --

21 MR. SIMON: They are individual -- well
22 I'll tell you -- about I'd say 60 or 70% of them are
23 carpenters.

24 MR. LAWRENCE: And they are working
25 as individuals, are they?

26 MR. SIMON: Yes.

27 MR. LAWRENCE: And it's up to them
28 to get their helpers to do the job?

29 MR. SIMON: That's right. They pay
30 their own helpers. We pay one rate and he takes care of



1 his own workmen.

2 MR. LAWRENCE: Where did you get
3 your carpenters from in the beginning, from previous
4 experience?

5 MR. SIMON: Oh, yes. I have had one
6 man working -- he's one of the best applicators in the
7 business -- he can build a house. He does a lot of
8 work for us, he also does a lot of service calls.

9 MR. LAWRENCE: I presume there will
10 be more questions here, so I'll -- but you still haven't
11 given me the breakdown between the serious and minor
12 calls, service calls. I'm assuming minor calls --

13 MR. SIMON: A corner is falling off
14 or a window has to be caulked or --

15 MR. LAWRENCE: Something it wouldn't
16 take a workman over an hour to correct.

17 MR. SIMON: This is roughly, I would
18 say, 95% of our service calls. The other 5%, or
19 maybe 1% -- one wall is completely crooked and has
20 to be fixed. The reason for it was the wall should have
21 been strapped before the siding went on. And the
22 applicator didn't strap it. And when we call they
23 tell us the situation and the applicator wouldn't go
24 back up there. So we didn't pay him and we sent one
25 of our own service men up there, one of our own men
26 up to fix the wall. We had to completely rip off the
27 wall.

28 MR. LAWRENCE: This was in northern
29 Ontario?

30 MR. SIMON: This was in southern Ontario.



1 I'll give you another example.
2 A service call just outside of Toronto here. I forget
3 the name of the town. One wall was lower than the
4 other. And with siding, when you applicate this
5 material everything fits perfectly, providing the
6 siding is on the wall properly. The siding doesn't
7 go on properly the corners won't fit, nothing will
8 fit. It's made this way in the event of moisture
9 getting behind the siding.

10 Well, the back of the house
11 was lower. They started the back of the house lower
12 than they did the sides of the house. They went to
13 put the corners on and one piece of siding was up here
14 and one was here. The corners fit perfectly on both
15 sides, the siding comes together at the corner. They
16 couldn't put any corner caps on because the siding
17 was wrong. So they put a strip of aluminum on the
18 back, and the people were satisfied with the job, they
19 were satisfied for two weeks after completion until
20 someone came up and told them about it. So we had to
21 rip three complete walls off.

22 Also, understand, we have service
23 calls that we cannot fix, regardless of what you do.
24 We had a service call just outside of Toronto here, a
25 stone job. That's precast stone we use. The product
26 is good. If you walk this building here you can find
27 a million hairline cracks in the stone. These are
28 things that happen with stone. These people have
29 hairline cracks in the stone and she wants the complete
30 thing taken off the wall and we won't do it. I'll repair



1 a full stone house, but I will not rip all the stone
2 off the wall, not for anybody. Now this woman asked
3 me to come down and see the job. I went down on a
4 Saturday -- she told me that was the only day she would
5 be home. I went down one Saturday to see the job and
6 the woman wasn't home. She wants me to repair a job
7 and she won't even stay there. There are a lot of
8 people that you can't -- once they find out they feel
9 that they have been taken. I don't feel that there
10 is a man who signs a contract and knows the price of
11 the contract who has been taken. In my opinion everything
12 we do today that is financed -- every finance company
13 doesn't vary that much. And they feel when they
14 take a \$1,500.00 contract and they have to pay back
15 twenty-two or twenty-three hundred dollars over a
16 period of five years, where they give them a deferrment,
17 for say four or five months with no obligation, and
18 we combine, take all their payments or consolidate all
19 their payments into one payment, give them one monthly
20 payment. I feel we do more for the customer than him
21 having to worry about the interest he has to pay on the
22 contract. I have borrowed money but I have never yet
23 borrowed money on my own. All these small loan
24 companies, their rates do not vary. They might vary
25 maybe 2% a year.

26 MR. LAWRENCE: How, in the case of the
27 St. Thomas job, and Dunville job and the stone job, etc.,
28 how would the promissory note get signed to Baker
29 Acceptance Corporation in those cases?

30 MR. SIMON: It's Stag Home Development's



1 note. We in return discount this note to Baker
2 Acceptance.

3 MR. LAWRENCE: I thought you indicated
4 earlier that Baker Acceptance required the approval --

5 MR. SIMON: We wouldn't discount
6 the note with them, until the job was completely
7 finished to the customer's satisfaction.

8 MR. LAWRENCE: Then where you bump
9 into cranks that you can never please, you would never
10 be able to sell that note then?

11 MR. SIMON: This deal in Dunnville --
12 I hadn't discounted the note and the job was six months
13 old.

14 MR. LAWRENCE: You still have the
15 note?

16 MR. SIMON: I still have the note.

17 MR. LAWRENCE: So that in cases like
18 that where the customer is openly and defiantly
19 unsatisfied, you are stuck with the note?

20 MR. SIMON: That's right. Right now
21 in my office I have six contracts that I can never
22 sell.

23 THE CHAIRMAN: Well, we will adjourn
24 then and reconvene here at 2:30.

25 ---WHEREUPON THE MEETING ADJOURNED UNTIL 2:30 P.M.

26
27
28
29
30



1 ---UPON RESUMING AT 2:30 P.M., NOVEMBER 16, 1964.

2 THE CHAIRMAN: Mr. Simon? We will
3 now call the meeting to order, gentlemen, and proceed
4 from where we left off. Will you continue your
5 line of questioning, Mr. Lawrence?

6 MR. LAWRENCE: I apologize to you, Mr.
7 Chairman, for making this overly long, but we are
8 still in the field of learning these things so that
9 we can appreciate the problems, if there is a problem,
10 and then do something about it.

11 I want to make it clear at this
12 time that I have no specific allegations that have
13 been made to me regarding you or your company or anyone
14 connected with you. These aren't accusations at you,
15 these are just sort of general allegations that have
16 come to some of us here as members of the Legislature,
17 regarding certain practices in the aluminum siding
18 field. They may not apply to you at all. You are
19 a gentleman who has obviously working with the industry
20 and my comments and questions to you are in the hope
21 that you can guide us in regard to future legislation.

22 I just want to get into the
23 one aspect here, and that is the actual selling job
24 and the verbal representations made to people when a
25 selling job has been done on them. As I say, it may
26 not apply to your company or to your employees or to
27 your agents or even your sub-contractors. But there
28 have been allegations made to some of us, I think, that
29 people have been fooled by these teams whereby these
30 people tell a prospective customer that their house is a



1 right one in a subdivision for a model job to be done
2 on it, as far as aluminum siding is concerned. And
3 they are told that a job on their house will cost
4 them absolutely no money whatsoever. And they are
5 gullible enough to believe that the siding salesman
6 or the home repair salesman wants to utilize their
7 house as a model for the area. And they are told
8 that it won't cost them a cent, but they do have to
9 sign a paper or a contract just in case they renege on
10 the deal later and don't allow people to see the
11 place or don't allow it to be used as a model. And
12 the paper produced is between the two -- what do you
13 call them, a canvasser and a closer -- between the
14 two of them they are high pressured into believing this
15 line, they sign a contract and they do not realize
16 that at the bottom of that contract is a promissory
17 note.

18 MR. SIMON: There is no promissory
19 note attached to the contract.

20 MR. LAWRENCE: Your contract?

21 MR. SIMON: Any contract that I have
22 ever seen. A promissory note is an individual piece
23 of paper. What you are trying to bring up here is
24 a salesman comes into a home and sells what we call a
25 free home. Put yourself in my position; I'm answering
26 from my standpoint. Put yourself in my position. There
27 are homes that have been sold this way. Or were -- I
28 don't know about today -- I don't think this is the
29 type of selling that is going on today. Four or five
30 years ago this type of selling was going on, but not today.



1 for this one reason. When we check a contract out ---
2 like I said before I am concerned with one thing and
3 one thing only, when we put our money out we want to
4 get our money back. Now put yourself in the position
5 of being the finance corporation. Every phone call
6 that they make to a customer two or three hundred miles
7 away means four or five dollars. The interest on
8 a \$39.00 payment, which is a \$1,500.00 contract, will
9 be roughly eight or nine dollars, on that one payment.
10 They are cutting their profits in half if they have
11 any trouble with this piece of paper. So if the
12 "freer" is sold we can't catch it, the finance
13 institution will catch it because they state, and
14 we state when we talk to the customer, regardless of
15 whether -- see, if we can set a home up and we want
16 to get business from this home and for every sale
17 that is made through his direct participation, or
18 the direct participation of his home, we will give
19 him a commission, whether it be \$25.00 or \$100.00, it's
20 a commission. But in the event that he doesn't or
21 we don't sell any homes in the area or from the direct
22 participation of his home, he understands that he is
23 obligated for 59 monthly payments of \$39.00 -- that's
24 a \$1,500.00 contract. We verify this in as strong a
25 way as possible, as far as the financing is concerned.
26 It is understood by him.

27 Twenty-five percent of our
28 business is done on referrals. We have to have referrals.
29 And if a customer's next door neighbour is sold he is
30 entitled to some commission, and we pay it. But if we



1 don't get any sales -- sure there is a lot of salesmen
2 that force suspicion to the point where the man feels
3 that he is going to get 59 bonuses back and you are
4 going to make all his payments for him, but that isn't
5 true.

6 MR. LAWRENCE: You call that "free"?

7 MR. SIMON: Mind you I haven't seen
8 a piece of paper like this in, I'd say, two years.

9 MR. LAWRENCE: Was this quite common
10 in the industry at one point?

11 MR. SIMON: I would say two years ago
12 it might have been, but not today.

13 MR. LAWRENCE: One of the things I
14 would like to attempt to bring out is how matters used
15 to occur because they can reoccur again if there is
16 enough publicity about it. The second mortgage field
17 this Committee had lots to do with cleaning up, although
18 there wasn't any specific legislation passed. Just
19 the publicity on some of the events that used to occur
20 in the field is enough to clear it up.

21 Can you enlighten us if this
22 was a common practice at one time in the aluminum siding
23 business?

24 MR. SIMON: Well --

25 MR. LAWRENCE: And just exactly how did
26 it work?

27 MR. SIMON: I could not answer that
28 for this one reason. I'm going by -- I was a salesman
29 myself and I'm going by how I would sell it. You can't
30 walk into a home and say: "Listen, let me do the outside



1 of your home. It's going to cost you \$1,500.00". You
2 are never going to sell a piece of material.

3 MR. LAWRENCE: Well what do you rely
4 on, contacts? Or things like that?

5 MR. SIMON: Well, when you go into
6 people you tell them what the material is, who backs
7 the material up and also you tell them about a referral
8 client you had, you might give them back a little bit
9 of money. But you don't guarantee it to them in their
10 home.

11 MR. LAWRENCE: As I say, the allegations
12 that have reached some of our ears here is that people
13 have fallen for this gimmick that they are going to be
14 set up as a model home for the company. It won't cost
15 them a cent. All they have to do is sign the contract
16 because the contract really doesn't mean anything so
17 long as they themselves show people their home. But
18 they also don't realize that attached to the bottom of
19 the contract is a promissory note. I'm not saying
20 it's true now and I'm not saying this is true even
21 in your experience. I'm saying that this allegation
22 has been made to us.

23 MR. SIMON: Each individual piece of
24 paper that is signed is an individual piece of paper.
25 It is not attached or not perforated on.

26 MR. LAWRENCE: Would this be the
27 average case?

28 MR. SIMON: There is only one finance
29 company -- we never used them -- that had a promissory
30 note attached to their contract, their conditional sales



1 contract.

2 MR. LAWRENCE: Was that Weathertite?
3 Is there a promissory note attached to that?

4 MR. SIMON: No.

5 MR. LAWRENCE: Well the type of contract
6 I am talking about is where the top part of it is a
7 contract and the bottom is a promissory note. You
8 have never used them? You have never, in any event,
9 used these things where the note is attached and signed
10 by the person in blank believing that they are signing
11 the contract?

12 MR. SIMON: No.

13 MR. LAWRENCE: Or none of your
14 agents or salesmen?

15 MR. SIMON: No. Premier Finance uses
16 this type of note attached to the contract, the
17 conditional sales contract.

18 MR. LAWRENCE: Did you used to work
19 for Modern Building Products Limited?

20 MR. SIMON: I did, but not now.

21 MR. LAWRENCE: And were theirs like
22 that?

23 MR. SIMON: No.

24 MR. LAWRENCE: Not at all. Never saw
25 them?

26 MR. SIMON: Never used them, let's put
27 it like that. They dealt with Community Finance and
28 this might be true, they might have had this. I have
29 never used them. You see, we print our own contracts.
30 We have our own charts. I wouldn't allow the note to be



1 put on the contract. So each individual is signed and
2 taken out of the book. When I talked to Mr. Harcourt
3 I wish he had told me that you wanted these documents
4 and I would have brought them. But I'll mail them
5 to you, in fact I'll mail you a complete book that
6 we have, every individual piece of paper that is signed
7 is a separate copy. When he signs the note, it's a
8 note, not attached to the bottom of the contract.

9 MR. LAWRENCE: You would have no
10 objection then, based on your experience, if provincial
11 legislation in this field would or could specify that
12 a promissory note must be absolutely detached from any
13 contract or any sales agreement?

14 MR. SIMON: Not at all.

15 MR. LAWRENCE: You already practice
16 that?

17 MR. SIMON: Definitely.

18 MR. LAWRENCE: Thank you.

19 THE CHAIRMAN: Mr. MacDonald?

20 MR. MACDONALD: Mr. Chairman, there
21 is just one area I want to explore. Unfortunately I
22 had to go out and may have missed it.

23 THE CHAIRMAN: We have a little trouble
24 with our machine when the pipe smokers bang on the
25 ashtrays, and the men that operate it tell me they
26 can't make it out, it kind of blurrs what is being
27 said, so we might just keep it in mind.

28 MR. MACDONALD: As I recall, Mr. Simon,
29 earlier in your remarks you said you had about one and
30 a half complaints in a week as an average. What percent-



1 age would that be of your sales? What would be on
2 an average the number of contracts you have in a week?

3 MR. SIMON: About eight percent.

4 MR. MACDONALD: About eight percent.

5 So you have what? -- about 15 contracts a week then?

6 MR. SIMON: Twelve to fifteen.

7 MR. MACDONALD: Twelve to fifteen
8 contracts a week. And you said that you withheld 10%
9 of the contract from the applicator until the --

10 MR. SIMON: We hold back 10% of his
11 money to take care of any service calls.

12 MR. MACDONALD: Whose money?

13 MR. SIMON: The applicators.

14 MR. MACDONALD: That's what I started
15 out saying. We misunderstood each other.

16 MR. SEDGWICK: The contract would be
17 the whole contract.

18 MR. MACDONALD: I was just curious
19 when you say you have a truck which went around and
20 did the servicing on these one and a half per week that
21 come back. What area do you cover?

22 MR. SIMON: All of Ontario.

23 MR. MACDONALD: Your truck covers all
24 of Ontario?

25 MR. SIMON: Yes. All service calls,
26 yes. You see a lot of service calls are done by the
27 applicator on the job. In the event that an applicator
28 can't please the people in any possible way, regardless
29 of what I do it just isn't enough, I send one of the
30 best men out -- I send an actual carpenter -- a good, one



1 of the best men in the field, out to service the call.

2 MR. MACDONALD: In other words you
3 might on occasion send the truck from Toronto to
4 MacDermott?

5 MR. SIMON: I might send the truck
6 from Toronto to () -, which is 300 miles away.

7 MR. WHICHER: Have you ever sent
8 one to ()?

9 MR. SIMON: I haven't done that much
10 business in (), but I have sent it as far
11 as Fort William.

12 THE CHAIRMAN: Mr. White, any
13 questions?

14 MR. WHITE: I'd like to clarify one
15 or two things you said this morning, Mr. Simon. Your
16 company is represented in the field by a team, one
17 of them is known as a salesman, the other a canvasser.

18 MR. SIMON: True.

19 MR. WHITE: These men work on commission
20 and the split which is arranged on the commission is
21 left to them -- 50/50 or 60/40, or something like that.
22 And the commission is the difference between the cost
23 that you have established for this particular job and
24 what they are able to sell it for when negotiating
25 with the customer?

26 MR. SIMON: Provided they don't go
27 over the accepted price that we have.

28 MR. WHITE: So they can charge the
29 maximum or they can charge a minimum, or anywhere in
30 between? And their earnings are the difference between



1 the minimum and what they get. Is that correct?

2 MR. SIMON: Yes.

3 MR. WHITE: Now you mentioned that
4 when you service a contract that all the contracts
5 show the monthly payments?

6 MR. SIMON: All the contracts show
7 the monthly payment.

8 MR. WHITE: All the contracts show
9 the monthly payments, although two-thirds of them
10 may not be filled in in full?

11 MR. SIMON: May not have the final
12 (next words inaudible).

13 MR. WHITE: So that there is a combined
14 price here, so much per month -- \$59.00 per month or
15 whatever it might be -- is it always 60 months, by
16 the way?

17 MR. SIMON: No. I would say about
18 80% of the contracts -- maybe a little bit higher -- are
19 financed over a period of five years.

20 MR. WHITE: The price implies both
21 the interest on two-thirds of the contract -- this
22 monthly amount embraces both the principal and the
23 interest?

24 MR. SIMON: The payment?

25 MR. WHITE: Yes, the payment is both
26 interest and principal?

27 MR. SIMON: The payment is the -- there
28 is no interest put on the payment afterwards. The
29 payment of 60 payments of, say, \$39.00 includes the
30 interest and the principal.



1 MR. WHITE: Right. I understand
2 that. Now in representing the deal to the customer
3 I don't suppose -- I have been a salesman and I
4 know that you don't ordinarily muss up a contract with
5 all kinds of figures, you use the back of an envelope
6 or a notebook, and you say: "Well, if you want this
7 job it will cost you so much," maybe a little reckoning
8 is involved and if you want this other type it will
9 cost you so much. There is no way that your firm
10 can control the price stated to the customer and the
11 actual payment, is there? I mean to say one of your
12 men might -- I'm going to try to clarify the point
13 I am making by using this example -- let's say that
14 I have a house requiring a certain number of squares
15 and the minimum price that you have established to
16 your sales people, and let's say that the maximum was
17 \$1,500.00. Now, he starts with \$1,500.00 naturally --
18 they try to get the best deal they can. Let's say
19 that they end up with \$1,200.00. They keep \$400.00 and
20 make a split in some fashion acceptable to themselves.
21 If the customer was upset at the idea of \$1,200.00,
22 there is nothing to prevent these men from saying:
23 "All right, we will sell it to you for \$800.00. We
24 want to get a start in this community and we will let
25 you have it for \$800.00". Right? So over 60 months
26 that's going to work out to \$15.00 a month or something
27 like that. Why can't they now, at that point, add in
28 an exorbitant amount of interest to recapture some of
29 the principal they have given away?

30 MR. SIMON: You mean make the interest



1 800?

2 MR. WHITE: Well, I'm talking about
3 total payments.

4 MR. SIMON: Now the people don't know
5 what the interest is in the contract price. What
6 makes you think the finance company would buy it?

7 MR. WHITE: Just a minute --

8 MR. SIMON: I know what you mean --

9 MR. WHITE: No you don't know. Let
10 us say these men are back to the potential customer.
11 And they say \$1,500.00 is our price on this. This is
12 a reasonable kind of example. The customer chokes on
13 the price, so they come down, down, down until they
14 have reached, let's say, the stated minimum which they
15 know to be their cost. If they close for \$800.00 there
16 is nothing left for themselves. The fellow says all
17 right, that's a very fair kind of a deal, \$800.00 for
18 a \$1,500.00 job. Now the contract is pulled out for
19 the first time. It's not filled out in full, the
20 principal is not shown, interest isn't shown, the
21 total due is not shown. But instead the monthly payments
22 over 60 months are shown and we will say that that
23 is shown as \$30.00 a month for a total of \$1,800.00.
24 No reason why this couldn't happen, is there? You might
25 say the salesman was a little unscrupulous, but there
26 is no reason why it couldn't happen and, in fact, probably
27 does happen.

28 Now is a couple is faced with
29 these two aggressive salesmen and having been pulled
30 backwards and forwards, backwards and forwards for



1 several hours, if they have the sense to multiply
2 30 by 60 to get \$1,800.00 and if they recognize that
3 as \$1,000.00 more than the cash price, I suggest that
4 in most cases the salesmen could explain that away
5 by saying they are carrying it over a very long term,
6 their credit risk isn't that good, and so on. In
7 other words, I am attempting to draw the Committee's
8 attention to the abuse that can accompany this and
9 how the abuses are encouraged by the omission of the
10 principal, interest and total amount due.

11 Do you want to say anything
12 on this before I go on to the next point?

13 MR. SIMON: Yes. The contract is
14 written up, the contract price must be on the contract.
15 The interest for that amount of money must correspond
16 with our charts, as I said earlier.

17 MR. WHITE: That's not what you said
18 earlier. You said two-thirds of the contracts showed
19 the amount per month and the number of months.

20 MR. SIMON: That's the payment. And
21 the amount of interest in one column. In other words
22 if the contract price is \$800.00 he can't have 60
23 payments of \$30.00, he would have 60 payments of, say,
24 \$15.00.

25 MR. WHITE: Well this doesn't gibe.
26 If my memory serves me rightly -- this isn't what
27 you said this morning. Maybe the transcript will set
28 us straight on that. But I had a very clear under-
29 standing and I made a note of it at the time, that you
30 said two-thirds of the contracts showed only the monthly



1 amount and the number of months. And that the principal,
2 interest and total amount were not included in two-
3 thirds of the contracts.

4 Now let's go on to the next
5 point --

6 MR. SIMON: Let's clear up this
7 point first. There is a contract price on every
8 contract that comes into the office.

9 MR. MACDONALD: Are you saying that
10 is in 100% of the cases?

11 MR. SIMON: On every contract that
12 comes into the office there is a contract price. The
13 payments must correspond with that contract price
14 whether the interest is on the contract or not.
15 Otherwise the finance company will not buy the deal.
16 They couldn't put in \$1,000.00 in interest, this is
17 the only way that they could possibly do it, the
18 way that you are doing it. They couldn't put \$1,000.00
19 in interest on an \$800.00 contract because the
20 payments would be quite a bit larger than a \$400.00
21 interest charge. See what I'm trying to bring out?
22 As long as the payments are on the contract, and the
23 payments are on every contract, and as long as the
24 payments are on the contract then we know how much
25 the contract is. If the interest is as much as \$25.00
26 more -- even a buck more -- we know it. If he
27 puts payments -- supposedly the payments are supposed
28 to be, say, 60 payments of \$15.00 and he puts in 60
29 payments of \$16.00, we know that the customer is
30 being overcharged \$1.00 per payment.



1 MR. SIMON: Well, I don't want
2 to argue the matter any further. Mr. Chairman, I
3 fully recognize that this paper goes from Stag to
4 a finance company and it has to be completed in full.
5 I contend that Mr. Simon told us this morning that
6 two-thirds of the papers when the contract leaves
7 the customer's hands are not completed in full, but
8 that the monthly amount and the number of months only
9 are shown. And when -- this is a law now -- you can
10 do a lot of fooling around with a contract.

11 Now, when you get these
12 contracts do you register them at the Registry Office
13 or does the finance company register them?

14 MR. SIMON: The finance company does
15 that.

16 MR. WHITE: This constitutes an
17 encumbrance on property.

18 MR. SIMON: What do you mean?

19 MR. WHITE: This is an encumbrance on
20 property until the thing is fully paid for.

21 MR. LAWRENCE: It's registered in
22 the County Court Office, not the County Registry Office.

23 MR. WHITE: Mr. Chairman, I don't
24 know the practice in the case of this company, but I
25 would like this man to describe an abuse that I learned
26 about in London, whereby a contractor, having done some
27 work for a householder, good, bad or indifferent, had
28 the verbal price quoted, or many times that amount,
29 then proceeds to render a mechanic's lien against
30 the property. In the instance described to me only last



1 night, the contractor had exceeded his verbal quote
2 by many hundreds of dollars yet had not completed
3 the work to the householder's satisfaction, and
4 said you pay me this amount of money or I propose to
5 register a lien against you house for \$5,000.00 and
6 it will take you six years to work this out to the
7 Courts. Now as it turns out he didn't register a lien
8 for \$5,000.00, but he did register a lien for something
9 like \$800.00. Two years have gone by and the case
10 hasn't proceeded any further than the first day she
11 saw her lawyer. I am wondering if the Committee
12 should not consider this aspect of the problem for
13 the reason that it does relate very decidedly to
14 the cost of this kind of undertaking, it relates
15 very directly to door-to-door selling, and it does
16 permit very grave abuses if the householder doesn't
17 initiate the suit to remove the lien. Nine times out
18 of ten or ninety-nine out of a hundred it is cheaper
19 to pay the unscrupulous door-to-door salesman than
20 it is to take the matter into the courts. I would
21 like to have our counsel's assistance on this, or any
22 other member of the Committee.

23 Mr. Simon, assuming that your
24 salesman is not tossing charges back and forth between
25 principal and interest, and assuming he is being com-
26 pletely candid with the customer, let us say he arrives,
27 after negotiating, at a price of \$1,000.00, and let's
28 say he puts that on a five year note. What does he
29 charge?

30 MR. SIMON: Between 11.2 and 13.4 dollars.



1 MR. WHITE: Now, is this flat?

2 MR. SIMON: Yes, it's simple interest.

3 MR. WHITE: Let's take the medium
4 in this range -- 12 and a half --

5 MR. SIMON: He would probably pay in
6 the area of about 26% interest.

7 MR. WHITE: He would pay 26%, something
8 like that? Very good.

9 THE CHAIRMAN: Mr. Kerr?

10 MR. KERR: To go a little further
11 into a point raised. I think Mr. Simon has been most
12 cooperative with this Committee. I think there is
13 one point regarding the completion of your contract
14 to be clarified. I think what you were saying, Mr.
15 Simon, was that you do include in the contract at the
16 time the customer signs, the full selling price. Is
17 that what you are saying? That figure is put in the
18 contract?

19 MR. SIMON: In every contract, yes.

20 MR. KERR: And that total selling
21 price is the sum of all the payments made. Is that
22 correct?

23 MR. SIMON: No. That total contract
24 price is the sum of the job that is done.

25 MR. KERR: It doesn't include carrying
26 charges?

27 MR. SIMON: No.

28 MR. KERR: I see. And the only way the
29 customer knows there are carrying charges is by
30 multiplying the payments by the number of payments he



1 has to make. Is that it?

2 MR. SIMON: Or he is told.

3 MR. KERR: You don't really tell him
4 the actual --

5 MR. SIMON: Yes we do.

6 MR. KERR: But you are not going to
7 tell him unless he asks, neither is your salesman.

8 The actual finance charge is not shown on the contract?

9 MR. SIMON: Not in all cases.

10 MR. KERR: That's all.

11 THE CHAIRMAN: Mr. Edwards? Mr. Rowe?
12 Mr. Letherby? Mr. Reilly?

13 MR. REILLY: Yes. You were telling
14 the Committee about a case in Dunnville, Mr. Simon,
15 where Alcan had actually reinstalled the siding without
16 cost. Is that right?

17 MR. SIMON: They ripped it off and
18 reinstalled it.

19 MR. REILLY: Tell me, what happens
20 when they are not prepared to accept the responsibility
21 in a case like that?

22 MR. SIMON: Well first of all I called
23 Alcan and told them about this. They sent an
24 inspector out who inspected it and found the siding
25 was two different colours. If they don't stand
26 behind their product it won't do any good.

27 MR. REILLY: Right. Now, with whom
28 did you deal previous to Alcan?

29 MR. SIMON: Kaiser.

30 MR. REILLY: Now supposing this



1 happened with any other manufacturer? Would you have
2 the same response? Do they have to do it?

3 MR. SIMON: If they want to be paid
4 for their materials they have to.

5 MR. REILLY: I see. But if, on the
6 contrary, Mr. Simon, they say: "This is no fault of
7 ours at all. This is no difference in colour. This
8 is the way it was applied and we will assume no
9 responsibility". What do you do under those
10 circumstances?

11 MR. SIMON: Well, it has to be
12 someone's fault.

13 MR. REILLY: Right. And I'm assuming
14 now it was the applicator's fault.

15 MR. SIMON: The applicator would go
16 out and fix the job.

17 MR. REILLY: Under those circumstances
18 would this be what you refer to as your 5 or 10% class
19 of major repairs? You said they were about 90%
20 minor repairs.

21 MR. SIMON: On our service calls this
22 would be major.

23 MR. REILLY: Yes. This would be what
24 you term a major repair.

25 MR. SIMON: It isn't that way at all.
26 It's not that harsh. Alcan -- they are a good company.
27 If we feel that the fault is theirs they will go out.

28 MR. REILLY: There is one thing I
29 would like to get clear in my mind, Mr. Simon, in
30 connection with the report here of bubbling. Now I



1 present the facts as far as the factory itself is
2 concerned. They actually spray this material, the
3 siding itself. Is this correct? And the bubbling is
4 actually taking part in the paint?

5 MR. SIMON: The paint can't bubble.

6 MR. REILLY: The paint can't?

7 MR. SIMON: No.

8 MR. REILLY: What would be the bubbling?

9 MR. SIMON: I assume it would be waves.

10 (Next sentence inaudible). I can't give you any
11 comment about the material. All I know is the
12 material Mr. Sugar brought up was a Reynolds' product.

13 MR. REILLY: Are you suggesting that
14 a material less than 025 thickness --

15 MR. SIMON: We call it between 024 and
16 026 --

17 MR. REILLY: -- Might be subject to
18 bubbling? Is this it?

19 MR. SIMON: Well, I could use an 016
20 or 018 and it wouldn't. It's not a bubbling, it's a
21 wave in the material.

22 MR. REILLY: Part of the complaint
23 then might be caused by the fact that they used a
24 lighter metal rather than 025 or 026?

25 MR. SIMON: Yes.

26 MR. REILLY: Thank you.

27 THE CHAIRMAN: Mr. Irwin, I think, has
28 a question.

29 MR. IRWIN: Yes, three short questions,
30 Mr. Simon. When you say that you put all your own money



1 into the operation, does that mean that you have to pay
2 C.O.D. for the materials delivered. Do you get
3 ordinary trade terms?

4 MR. SIMON: We get ordinary trade
5 terms.

6 MR. IRWIN: How much, 30 or 60 days?

7 MR. SIMON: 90 days.

8 MR. IRWIN: 90 days. In other words you
9 are able to do some of the financing with regards to
10 the material by the assistance of the supplier? It
11 might also follow --

12 MR. SIMON: Not from the assistance
13 of the supplier.

14 MR. IRWIN: This is what I asked,
15 and I will put it again. You buy your materials from
16 Alcan and you are allowed 90 days to pay for them,
17 is that correct?

18 MR. SIMON: Yes.

19 MR. IRWIN: Then you are having the
20 cooperation, I'll put it, of the supplier in financing
21 your business. You are getting 90 days credit from
22 the supplier, right? In other words you are getting
23 some financial help from the supplier.

24 The second point is, it was
25 mentioned, where you check with the customer and you
26 try to ascertain that the customer understands what
27 he is getting in the way of the job. And during the
28 course of that conversation he might say that well, the
29 salesman also promised me to put on some gadgets and
30 so on, and you haven't mentioned them. I think you said



1 that you would satisfy the customer. But would you
2 arrive at the fact that the salesman may have added
3 so many things that you would really be able to carry
4 them out only if you rewrote the contract to cover them?

5 MR. SIMON: We are doing more than
6 what the contract actually calls for, we are giving
7 them more than is actually on the contract.

8 MR. IRWIN: Yes. Supposing, just
9 supposing -- I don't know whether this applies or not --
10 the salesman wrote the contract for siding the whole
11 house and that's how the contract appears to you
12 and you question the customer to see if that's what
13 he understood, and he says: "Oh, no, he also promised
14 to throw in a double combination screen front and back
15 door." Would you not add that to the contract?

16 MR. SIMON: Well, if he wanted it we
17 would send him out a letter to this effect. If it
18 would amount to maybe a twenty or thirty dollar bill,
19 we do it.

20 MR. IRWIN: In other words, if what
21 the salesman has promised was too much, moneywise, to
22 you you would simply ask him to rewrite the contract,
23 to add it to it.

24 MR. SIMON: Either we would mail a
25 new contract up to the customer to be filled out
26 with the proper work and ask them to mail it back
27 to us --

28 MR. IRWIN: Authorizing the addition?

29 MR. SIMON: Authorizing the addition.

30 MR. IRWIN: Now the third question, from



1 the conversation it appears that the bigger suppliers
2 of the material are Alcan and Kaiser and Reynolds.
3 Is that right?

4 MR. SIMON: Here in Toronto, yes.

5 MR. IRWIN: Would one of these people
6 knowingly undertake to supply materials to a firm
7 like your own unless they were satisfied that you
8 were a responsible firm? What I am getting at is
9 would they supply to anyone that happened to set up
10 in the business to apply siding?

11 MR. SIMON: They sell material to
12 anyone cash, I think, who was an individual, say,
13 householder who came in to buy material. His price
14 would be a heck of a lot different than my price.
15 If an applicator decided he wanted to do his own home,
16 or something, and went in to buy the material at Alcan
17 they would also charge him a lot more than they charge
18 me.

19 MR. IRWIN: Thank you.

20 THE CHAIRMAN: Mr. Whicher?

21 MR. WHICHER: I just wanted to ask --
22 how long has Stag Home Developments been in business?

23 MR. SIMON: About two years.

24 MR. WHICHER: To your knowledge have
25 you ever been sued for --

26 MR. SIMON: Usually I can pretty well
27 clear up any trouble that I have with a customer, if
28 he will be cooperative. I have been threatened to be
29 sued, certainly -- I think everybody has. But on the
30 overall picture, we have pretty well straightened up



1 every argument and every beef.

2 THE CHAIRMAN: Of course I suppose
3 you could settle by giving the people back part of
4 the money?

5 MR. SIMON: No, I won't give any
6 person that. You see, I tell you, before we arrive
7 at a price that we want to sell siding for, I don't
8 just go up and say: "Listen, I want to sell siding
9 for so much". We brought the finance companies in
10 and we brought in Alcan and we brought in Kaiser and
11 we discussed a legitimate price for aluminum installation
12 of siding. And that's the price we quote. And I
13 think that pretty well all companies at this point
14 now have arrived at the same conclusion. They all
15 stipulate one price and you can't go above it. See,
16 we are not looking for any trouble, we don't want any
17 trouble. We are in business to make money the same
18 as anybody else. And the institutions that you deal
19 with all feel that one price is a fair price and
20 everybody stays under that price and we feel the
21 customer is getting a good deal.

22 MR. REILLY: Mr. Chairman, I wonder
23 if Mr. Simon has any suggestions that he could make
24 to this Committee that might reduce the number of
25 complaints in the industry?

26 MR. SIMON: Any troubles that we have,
27 gentlemen, we solve ourselves.

28 MR. REILLY: In the industry, apart
29 from your own firm, say?

30 MR. WHICHER: You appear to be quite



1 a legitimate business, your firm, surely these fly-by-
2 nighters must be rather tough on people like you.

3 MR. SIMON: What's a fly-by-nighter?

4 A man who goes into business and loses his money and
5 can't make a go of it? Is he a fly-by-nighter?

6 You brought this point up when
7 Sugar was here. This man invested his money in a
8 legitimate concern and yet you turn around and call
9 him a fly-by-nighter.

10 MR. WHICHER: As far as the customer
11 is concerned he's a fly-by-nighter because that poor
12 fellow can't afford to pay the monthly money to him
13 which he has to pay whether he has a good or poor job.
14 Would you agree with that? As far as the customer
15 is concerned?

16 MR. SIMON: I'll answer your question.
17 You deal with a finance company, they finance your
18 contracts, they have given their money out and they
19 want their money back. If they have to make two or
20 three phone calls every month to this guy to pay up,
21 which is a long procedure -- before a finance company
22 will sue the consumer they will go to all lengths to
23 get their payments -- then if they find that they
24 can't get their payments, of course, they will go to
25 the Courts. They will make three or four phone calls
26 to get that payment in. Wouldn't it be cheaper for
27 the finance company to get a service man and do the
28 service on a call? Which ABC has done and OHI has
29 done and Baker has done, gone out and serviced their
30 own calls.



1 MR. WHICHER: Well, that might be an
2 answer. It's a suggestion anyway. The point is these
3 people who dealt with Weathertite Construction Company
4 can't go to anybody. They just have to pay.

5 MR. SIMON: That's not true either.

6 MR. WHICHER: It's not true?

7 MR. SIMON: Sure they have to pay,
8 eventually they are going to pay, regardless of what
9 happens they are going to pay. But they turn around
10 and talk to the finance company -- these people are
11 human, they will listen to you -- you turn around and
12 you tell them: "Now listen, this company is out of
13 business" -- I've seen it done many, many times where
14 a finance company will hire -- I know one company,
15 OHI, right now they call it Frontenac Acceptance --
16 they have hired a service man just to go out and service
17 their calls. And this is done not just by Frontenac
18 Acceptance, but by OHI, by ABC, by Baker Acceptance.
19 How I know this here -- at one time OHI had called
20 me and they asked us if we would take a certain amount
21 of money and service about twelve of their jobs. We
22 asked them what they wanted and they told us, but it
23 wasn't enough money, we couldn't break even on what
24 they wanted to pay. So they went out and hired their
25 own applicators.

26 MR. MACDONALD: Are you in this line
27 of business alone, Mr. Simon, or do you have other
28 associates?

29 MR. SIMON: Oh, yes.

30 MR. MACDONALD: Operating from the same



1 office?

2 MR. SIMON: In Stag Home Developments?

3 MR. MACDONALD: I'm sorry, I just --
4 what are the other lines of business that you operate
5 at 1801 Eglinton West?

6 MR. SIMON: Oh, you mean the one
7 company? Oh. Just aluminum products.

8 THE CHAIRMAN: Anything else, gentlemen?

9 MR. SEDGWICK: Do you know who are
10 the principals of Modern?

11 MR. SIMON: Yes. Modern Building
12 Products was taken over about eight months ago by
13 Reynolds Aluminum.

14 MR. SEDGWICK: Yes, but who were
15 the principals when they were in the business?

16 MR. SIMON: A fellow by the name of
17 Max Schwartz.

18 MR. SEDGWICK: Because there are or
19 were a great many complaints about Modern's operation.
20 Was he the sole owner?

21 MR. SIMON: Sole owner.

22 MR. SEDGWICK: Max Schwartz. And did
23 they go bankrupt?

24 MR. SIMON: They didn't go bankrupt.
25 Reynolds bought them out. And Reynolds told them
26 all obligations -- they couldn't service calls for
27 Modern Building Products.

28 THE CHAIRMAN: This seems to be a
29 trend of the companies taking over the --

30 MR. SIMON: No, no, no.



1 THE CHAIRMAN: Is it not?

2 MR. SIMON: No.

3 THE CHAIRMAN: The manufacturers taking
4 over the companies that are supplying the aluminum?
5 Would you say this is a highly specialized type of
6 business?

7 MR. SIMON: You mean the selling?

8 THE CHAIRMAN: People seem to be
9 getting into trouble in this business so it must, it
10 seems to me, to do a good job you must have a high
11 degree of skill at it.

12 MR. SIMON: Selling is a skill.

13 THE CHAIRMAN: No, I mean the
14 application of the material -- it seems to me -- you
15 get into a lot of trouble if you don't know what you
16 are doing.

17 Are there any other questions?

18 MR. LAWRENCE: Mr. Simon, what would
19 you think of some sort of provincial licensing of
20 the salesmen or canvassers or closers or whatever you
21 want to call them? I mean, the term fly-by-night
22 was used -- in my mind this applies perfectly to the
23 aluminum siding business. At least a few years ago
24 a team would go out and they would have a carful of
25 contracts, about six or seven different companies.
26 Now that, to me, is a fly-by-night outfit, where they
27 change the name on the top of the contract almost from
28 day to day. If there is no other way of attacking it
29 what would you think of provincial licensing?

30 MR. SIMON: Of the individual salesman?



1 MR. LAWRENCE: That's right? I mean,
2 I would hesitate to do it, but I don't know of any
3 other way of cleaning up the situation.

4 MR. SIMON: I think it would be a good
5 thing to this point, where you couldn't stop a man
6 from getting it, but you could take it away from him,
7 if he does any misrepresentation. There is a lot to be
8 taken into consideration here, as I mentioned before.
9 I say all the complaints that you have against Modern
10 Building Products or better still, say, against myself
11 have been four and five months after the job has been
12 done. Why is this? We do a lot of consolidation for
13 people. They can't afford, they can't meet their
14 obligations now, we consolidate all their debts for
15 them into one blended payment. It takes a heck of a
16 lot off their minds. Once you take it off their
17 minds then they are open for complaints.

18 MR. WHICHER: Do you do this
19 consolidation in the Stag company, or is this a
20 different company you are talking about?

21 MR. SIMON: It's all done through
22 Stag.

23 MR. WHICHER: You take it off their
24 minds --

25 MR. SIMON: If they have five or six
26 different payments with the finance company, we
27 consolidate them and pay off all their debts at once
28 and they have got one payment.

29 MR. WHICHER: I bet this is the first
30 time that they realize the amount of their total payments



1 and the amount of their obligations.

2 MR. SIMON: I could tell you a couple
3 of stories about people. We had a man up in Sudbury
4 call us and thank us from the bottom of his heart.
5 We relieved him of so much pressure, the man couldn't
6 see his way through to pay any of his debts. Afterwards
7 the man has done nothing but complain. Before the
8 job was done he wanted to get all this debts off his
9 mind.

10 I feel that if a complaint
11 is there it should be there inside of a month after
12 the job is done. You see, before you mentioned water
13 coming in behind the material. If the material is
14 applicated properly -- if it's not applicated properly
15 you can't finish the job, for one thing because nothing
16 fits -- if the job is applicated properly and everything
17 fits on the home, you can't get rain behind it. And
18 as soon as you walk out and take a look at the wall you
19 can tell whether the wall is applicated properly.
20 If there is going to be a complaint, it has to be
21 within a month. The complaints that we get are mostly
22 the interest is too high. This isn't the real reason,
23 or the application isn't good. This isn't the real
24 reason why the complaint comes in. It comes in because
25 they know that they have got to pay.

26 MR. BUKATOR: May I follow up on this?
27 The man in Sudbury who called you and thanked you, would
28 you like to be a little more specific? How many of his
29 odds and ends did you pick up by way of debts along
30 with your costs, what was the total amount of money? Do



1 you recall that off-hand?

2 MR. SIMON: What was the total amount?

3 MR. BUKATOR: Yes.

4 MR. SIMON: \$4,000.00.

5 MR. BUKATOR: And what was your part
6 of the contract to put your aluminum siding on?

7 MR. SIMON: It was in the area of
8 2,000. \$1,975.00, I think.

9 MR. BUKATOR: About \$2,000.00.

10 MR. SIMON: We gave him \$2,000.00
11 to pay off --

12 MR. BUKATOR: How did you secure that
13 debt to your people, by mortgage or --

14 MR. SIMON: Conditional sales contract,
15 a note and --

16 MR. BUKATOR: But you did put a
17 mechanic's lien against the property? You must have.

18 MR. SIMON: I didn't.

19 MR. BUKATOR: I know, but the people
20 who financed it did. You wouldn't know the rate of
21 interest that they charged? I was wondering why the
22 man would complain after this -- was it because of
23 the high rate of interest he had to pay? What was
24 his complaint to you? First he was happy about it --

25 MR. SIMON: He complained about the
26 interest.

27 MR. BUKATOR: The interest. That is
28 the point I am trying to make. He came to one conclusion,
29 that he was paying a very high rate of interest -- about
30 how much did he pay, do you recall?



1 MR. SIMON: The rate of interest?

2 MR. BUKATOR: Yes.

3 MR. SIMON: He will be paying back
4 after five years -- I think it was forty-one or
5 forty-two hundred -- he will pay about \$6,000.00.

6 MR. BUKATOR: \$6,000.00 -- Mr. Irwin,
7 would you work on that with your pencil. The rate
8 of interest he was paying for his money --

9 MR. SIMON: You don't have to work
10 on it. It's roughly about 26%.

11 MR. BUKATOR: That's why he was
12 unhappy, because he was paying 26%.

13 MR. IRWIN: That would make anybody
14 unhappy.

15 MR. BUKATOR: Would you mind putting
16 that in your contracts -- the rate of interest? As
17 far as your contracts?

18 MR. SIMON: I wouldn't put it in my
19 contracts.

20 MR. BUKATOR: You wouldn't?

21 MR. SIMON: The rate of interest the
22 customer pays?

23 MR. BUKATOR: What if there was
24 legislation passed whereby -- for instance the real
25 estate people, say 7% or 9% or whatever they might have
26 on the contract. Would you object to the rate of
27 interest that was paid being on your portion of the
28 contract? And if you would why would you? To catch --
29 they say it and I don't like the expression but -- to
30 catch the fly-by-nighters who charge, maybe, 50%.



1 MR. SIMON: They can't charge 50%.

2 MR. BUKATOR: Oh, we have had people
3 who charge $87\frac{1}{2}\%$ on a mortgage.

4 MR. SIMON: You are talking about
5 two different businesses. Now we are talking about
6 my business. In my business the rate charge is there,
7 that's what it is. It's not five cents more, it's
8 not five cents less.

9 MR. BUKATOR: And that's 26%?

10 MR. SIMON: And that is in the area
11 of 11.2 -- between 11.2 and 13.4 add-on, which roughly
12 runs between 24 and 26%.

13 MR. BUKATOR: This is the point I
14 have been trying to make. So the man found that he
15 had borrowed \$4,000.00 to consolidate his debts, and
16 he found that he had to pay back to the financing
17 company now some \$6,000.00 and when someone calculated
18 it up for him he found that he had to pay -- to quote
19 your own figures -- 26% on that money. Now you can't
20 blame that man for complaining, can you?

21 MR. LETHERBY: The guy should have had
22 it figured out before he started to pay.

23 MR. BUKATOR: You on that side of the
24 table make reference to citizens of this country as
25 jackasses and imbeciles and I don't buy that.

26 MR. LETHERBY: No, no -- I'm saying
27 according to your argument, George, this man --

28 MR. BUKATOR: My argument is that if
29 he is not intelligent enough, as intelligent as you
30 are, then at least somebody should tell him what he is



1 paying.

2 MR. LETHERBY: This man was shown
3 that it was going to cost him \$1,900.00 or \$2,000.00
4 over a period of years to pay back what he had
5 borrowed. Now if he complains about that after he
6 has gone into this with his eyes open, then he's
7 a jackass, if he complains.

8 MR. BUKATOR: The fact is maybe his
9 eyes were not open, and this man and his company are
10 putting the total amount on top -- as I gather it --

11 MR. LETHERBY: It's no different
12 than anybody else.

13 MR. BUKATOR: Mr. Chairman, I wonder
14 if you would give me my nickel's worth here. You have
15 a total amount of money to be paid for your particular
16 work, which is \$1,500.00 and you put so many monthly
17 payments down for five years of X amount of dollars.

18 MR. LETHERBY: If he's gullible
19 enough to pay for it --

20 MR. BUKATOR: As a matter of fact,
21 is it possible -- since we are on the subject, Mr.
22 Chairman -- where people are gullible enough, as this
23 man wants to put it, or calls them jackasses, -- who
24 has signed a contract without any figures on them at
25 all. Gives their address and signs the contract,
26 having faith in the fine salespeople who work for you,
27 because they respect them, and they sign the contract
28 because they were told verbally, but nothing on the
29 contract at all. Have you ever had anything like that
30 come into your office?



1 MR. SIMON: Not once.

2 MR. BUKATOR: Not once, not your
3 particular company?

4 MR. SIMON: If I did have a contract
5 come in like this, it wouldn't get past the front door.

6 MR. BUKATOR: It wouldn't get past the
7 front door. You have never had a blank contract with
8 the signature of the people who have applied for a job
9 to be done and accepting the verbal -- I'm asking, I'm
10 not telling you.

11 MR. SIMON: On one case.

12 MR. BUKATOR: Only one case.

13 MR. SIMON: Let me explain it to you.
14 There was a contract drawn up the week before.

15 MR. BUKATOR: I'm sorry, I missed it.
16 You mentioned this this morning. I'll get it out of
17 the transcript.

18 MR. SIMON: In my business if the
19 contract isn't filled out, the payments are not on the
20 contract, the contract price is not on the contract,
21 then it is not binding -- I don't care if the man has
22 got the best credit in Canada, we will not buy the
23 deal.

24 MR. LAWRENCE: How about the promissory
25 note?

26 MR. MACDONALD: But coming back to Mr.
27 Bukator's point and Mr. Letherby's, one of the purposes
28 of this Committee, whether Mr. Letherby likes it or
29 not, is to consider the proposition of protecting what
30 he chooses to describe as a jackass, by assuring that



1 in every contract it will be spelled out the amount
2 of money he has to pay and the interest rate. Because
3 there are an awful lot of people who are, in your
4 term, jackasses, because they can't figure the interest
5 rate. If they knew it was 26 they wouldn't pay it.

6 MR. LETHERBY: Yes, but listen now,
7 countless good, legitimate finance companies who
8 have come before this Committee tell us that their
9 finance charges are 24 and 26% -- and we take our
10 hats off to them and claim they are the exceptionally
11 good finance institutions.

12 Now this gentleman says that
13 his case was similar and that he points it out to
14 his client and then the man, if he's got a head on
15 him at all, is going to say: "Now, my friend, how
16 much is this going to cost me, this money, for the
17 time that I am going to use it?" You would invariably
18 tell him it is going to be so much. Then he signs
19 the contract in good faith. Then he goes home and
20 sleeps on it for a few nights and his nerves start
21 to go up on him and he has a nervous breakdown worrying
22 over the 26%. I say he was a jackass to go into it.
23 That's my feeling, he wasn't satisfied with the deal.

24 MR. BUKATOR: I don't know, Mr.
25 Chairman, whether a jackass breaks down with a nervous
26 condition or not, but under the circumstances I do
27 believe -- we have argued this out before -- that when
28 a man signs a contract he should, in all fairness --
29 when you go to the bank and borrow money you know
30 what the rate of interest the bank charges --



1 MR. LETHERBY: Do you?

2 MR. BUKATOR: Oh, yes, I do and I
3 imagine you do too.

4 MR. SIMON: You do if you ask. With
5 any institution you borrow money at, the only time
6 you are told the rate of interest is if you ask.

7 MR. BUKATOR: I've never signed a bank
8 note that I don't recall the figure 6 or $5\frac{1}{2}$ as a
9 rate of interest, and I signed the paper. But we are
10 getting beyond this particular point. Have you ever
11 got money from a bank without having the interest
12 rate injected, added in, in that note?

13 MR. SIMON: I sign my notes at the
14 bank simply.

15 MR. BUKATOR: You have a lot of faith
16 in your banker, but you know that you wouldn't pay
17 over 6% now, don't you?

18 MR. SIMON: May I ask you something
19 now?

20 MR. BUKATOR: You go ahead and ask
21 me, I don't mind.

22 MR. SIMON: Okay. I go into a bank
23 and come away with 6% but they want security for their
24 money. When we go in and we loan a bank \$1,000.00, there
25 is no security for the money.

26 MR. BUKATOR: What is that house with
27 a chattel mortgage against it but security?

28 MR. SIMON: Chattel mortgage?

29 MR. BUKATOR: Yes. The mechanic's lien?

30 MR. SIMON: The mechanic's lien is not



1 a chattel mortgage, nor is it a mortgage in any
2 possible way. You have got to sue, you have got to
3 get a judgment before you can collect your money.

4 MR. BUKATOR: You are teaching me the
5 wrong business. I'm in the real estate business.

6 MR. SEDGWICK: I have just one
7 question. When Mr. Sugar gave evidence this morning,
8 he said that on their particular contract they put down
9 the amount of the cash payment and then at the
10 bottom of the contract the amount of payments and the
11 number of months, but they did not specifically set
12 out the amount of the financing charge. Do you on
13 your contracts set out the amount of the financing
14 charge?

15 MR. SIMON: In dollars?

16 MR. SEDGWICK: In dollars. Because,
17 for instance, taking your own sheet, if the contract
18 were for \$3,000.00 and it was payable over 60 months,
19 the financing charge would be \$1,665.00. That's from
20 your own (next few words inaudible). That means \$77.00
21 a month for five years. Now it may be that you find
22 it inconvenient to put the percent in, but should not
23 your contract at least show this much? Cost of work,
24 \$3,000.00, financing charge \$1,665.00? That would tell
25 the man how much he is paying, wouldn't it?

26 MR. SIMON: It would. It also might
27 knock the deal out, for the salesman.

28 MR. SEDGWICK: I know that, but it
29 would knock it out because, as Mr. MacDonald said, Mr.
30 Bukator said, he knew what it was costing him. But surely



1 in either dollars or in percentage he is entitled to
2 know the cost of the financing and your man knows
3 it because it's on your own printed sheet. So if
4 your salesman knows it why shouldn't the buyer know it.

5 MR. LAWRENCE: So that he can then
6 shop around a little.

7 MR. MACDONALD: Notwithstanding Mr.
8 Letherby, this is one of the objectives of this
9 Committee, or else we will go out and fight it beyond
10 in the hustings.

11 MR. LETHERBY: I gather, Mr. Chairman,
12 that my friend here made this very clear to the man
13 whose debts you were consolidating, the amount of
14 money or the credit that you were extending him and
15 the amount that he was required to pay.

16 THE CHAIRMAN: In dollars but not
17 percent.

18 MR. LETHERBY: So I figure the man
19 knows what his obligations are and goes into it with
20 his eyes open, 'George, and then has a nervous
21 breakdown some weeks later. That's no time then to
22 start crying.

23 THE CHAIRMAN: Gentlemen, are there
24 any more questions?

25 MR. SIMON: Also something else. When
26 a man goes into a home and says: "Look, this is what
27 it is going to cost you. It's going to run you 60
28 payments of so much money". And the man talks to his
29 wife for a minute -- this is what happens in 90% of
30 the homes -- he says: "Dear, do you think we can afford



1 \$39.00 payments" -- and they will discuss it among
2 themselves. But the rate of interest here is no more
3 than the rate of interest with the larger finance
4 companies -- Household Finance and IAC -- they are
5 all in the same range. There might be a variation
6 (rest of statement inaudible).

7 THE CHAIRMAN: Any other questions?

8 MR. ROWE: Just one. I was interested
9 in your sideline business of consolidating the person's
10 debts. Does Stag do this consolidation or does the
11 finance company do it?

12 MR. SIMON: (Inaudible) It is written
13 right into the contract. Mr. and Mrs. John Smith will
14 receive \$1,000.00 to pay off Household Finance and so
15 on.

16 MR. ROWE: That's part of your contract?

17 MR. SIMON: Yes. That's in our
18 contract and the payments are made up, the contract
19 price is the amount of the consolidation and the
20 amount of the contract.

21 THE CHAIRMAN: Mr. Irwin, I believe,
22 has one question.

23 MR. IRWIN: Following Mr. Rowe, Mr.
24 Simon, I assume there is no reason why you shouldn't
25 answer this. You do get some reward from the finance
26 companies from the financing charges that they collect?
27 In other words, you get some rebate from them? Is
28 that not correct?

29 MR. SIMON: We did about three years
30 ago.



1 MR. IRWIN: You don't any more?

2 MR. SIMON: Well, it was set up for
3 this reason here. We also have -- money comes back
4 from the finance companies when you set up service
5 calls. But it was reserved in the event that a company
6 had gone out of business, and with this reserve they
7 would complete these service calls, doing work that
8 had to be done. But there was never any money that
9 changed hands, from a finance company back to us.

10 MR. IRWIN: Well, this is unusual.
11 I've had a lot of experience in this field and it
12 is not at all unusual for the dealer to get a kick-back.
13 Oddly enough, I don't see anything particularly wrong
14 with it. But the real question I wanted to ask was: In
15 your case if you don't get any rebate or participating
16 interest in the finance charges on the ordinary contract,
17 would you in the case where you also arrange refinancing,
18 as in the case of the Sudbury man where you advanced
19 to him or caused to have advanced to him another \$2,000
20 to settle other debts or to consolidate them. Would
21 you get anything from that?

22 MR. WHITE: Well, when you sell that,
23 do you just keep that paper from the acceptance
24 company, do you mean to say they are charging you a
25 discount rate when they sell that 26%?

26 MR. SIMON: Charging us a discount
27 rate?

28 MR. WHITE: I heard you say there is
29 no rebate as such. When you discount that paper does
30 the discount offset all the 26% interest charge or some



1 smaller amount? What is the discount rate for
2 supplying your paper?

3 MR. SIMON: We get 100% of our
4 money when the job --

5 MR. WHITE: Well let's take this
6 Sudbury man. A \$2,000.00 job and you loaned him
7 \$2,000.00 -- was that it?

8 MR. SIMON: Yes. He had a \$4,000.00
9 contract.

10 MR. WHITE: \$4,000.00 over five
11 years. The interest would be about \$5,000.00.

12 MR. SIMON: What?

13 MR. WHITE: \$2,000.00. Now he owes
14 \$6,000.00.

15 MR. SIMON: He would have 60 payments
16 of roughly \$100.00.

17 MR. WHITE: When you sell that \$6,000.00
18 paper --

19 MR. SIMON: We aren't selling a \$6,000.00
20 paper -- all we are selling is a \$4,000.00 paper.

21 MR. WHITE: Well, the gross is six
22 and the net is four.

23 MR. SIMON: Our contract is \$4,000.00.

24 MR. WHITE: And you get \$4,000.00
25 only?

26 MR. SIMON: We get \$4,000.00 and in
27 return we make a \$2,000.00 pay-off to Household Finance
28 or IAC or whoever it is.

29 MR. WHITE: I'm surprised you can't make
30 a better deal than that. I'm surprised you can't have



1 a discount of six or seven percent back. The rate
2 is not comparable with other rates that I hear about.

3 THE CHAIRMAN: Is there anything else?
4 That's all, Mr. Simon, thank you very much.

5 MR. SIMON: Thank you.

6 THE CHAIRMAN: Gentlemen, we have Mr.
7 Ivan P. Phelan of the Avon Products of Canada Limited
8 with us this afternoon. Mr. Phelan has come from
9 Montreal especially to be here today and give the
10 Committee the advantage of his company's many years
11 of experience in door-to-door sales. I'm sorry that
12 we have detained him as long as we have because it
13 may not be possible for him to make his flight back
14 to Montreal at ten after five. But we do appreciate
15 your coming here this afternoon. Do you prefer to
16 have the members ask you a few questions or would you
17 care to make a statement to the Committee first?

18 MR. PHELAN: Whichever is more
19 convenient.

20 THE CHAIRMAN: Which would you prefer?
21 Would you prefer to make a statement about your company?

22 MR. REILLY: I think we would like to
23 hear about the company, Mr. Chairman.

24 MR. PHELAN: This may take a good deal
25 longer than you anticipated. (Laughter).

26 MR. REILLY: You've got a captive
27 audience.

28 MR. PHELAN: Well, we have been in
29 Canada since 1914. I have been with the company 30 years,
30 except for a five year period when I was overseas.



1 We started rather small and we
2 are now rather large. We have just under 300,000 square
3 feet in Pointe Clair just outside of Montreal and
4 we manufacture probably the finest cosmetics in the
5 world. (Laughter).

6 We are also the largest company
7 selling cosmetics where it is by door-to-door, or
8 over the counter or however it is. Our field force
9 consists entirely of women who sell the merchandise
10 part-time. Normally these women work with us to
11 supplement their normal home income. There are some
12 who do this as a full-time job, but most of them do
13 it for, as I say, to supplement their income and we
14 expect, also, that a lot of them do it in order to
15 have a reason to associate with and sell a few friends,
16 etc., and perhaps because they just like this kind
17 of selling. These people receive a considerable amount
18 of training from us and of course they are supplied
19 with a rather complete catalogue of merchandise. They
20 are urged to sell within the vicinity of their homes.
21 This is a convenient way to do things and it cuts down
22 on travel time and makes it easier for us in the matter
23 of training and replacements.

24 The normal pattern of selling
25 is just taking orders in a small book, of which I have
26 a specimen here, and to deliver the merchandise any time
27 up to three weeks later. The year is divided into
28 17 or 18 selling cycles and these selling cycles have a
29 very precise objective which I can describe to the
30 Committee if they wish. But at the end of the selling



1 cycle or campaign, as we call it, the representatives
2 as we call them, send the orders into us. We package
3 it from our supplies at Montreal and send it back to
4 her. She then goes out into the area of her sales
5 territory and delivers the merchandise and at this
6 particular time she receives the money for the goods
7 that the customer has ordered.

8 We urge her to use that
9 opportunity to take from the customer an order for
10 future delivery three weeks later. This way she
11 keeps a cycle of selling going and if she becomes
12 familiar with the client she develops a knowledge of
13 what that client needs and what that client might
14 want. Toothpaste, for example, lasts six weeks,
15 toothbrushes last six months, shaving cream lasts a
16 month and so on, and she has these things marked down
17 in her own records which help her to promote the sale
18 the next time she comes back.

19 We have no contractual arrange-
20 ments with her. All we ask her to do is go out in
21 her territory and sell this merchandise and she has,
22 from the date that she receives the merchandise from
23 us, she has three weeks in which to pay for it. This
24 three week period just happens to coincide with the
25 time she next sends in her order, so that she is
26 always carrying, or we are always carrying her for a
27 three week period, which, in effect, is a campaign.

28 At certain times of the year,
29 such as Christmas, the selling campaign is reduced
30 to two weeks because there is a great demand for the



1 merchandise to be delivered to the customer in time for
2 Christmas delivery and we have to shorten things up.
3 But normally the three week period seems to cover
4 things pretty well.

5 These people are completely
6 independent. We call them representatives but they
7 are called, more precisely, I suppose, independent sales
8 agents or commissioned agents. We don't prescribe the
9 price at which they sell the merchandise but we do
10 recommend it. I suppose you people who are attorneys
11 appreciate that we can't set some of our prices.

12 Much of the merchandise, I
13 must confess -- not much but some -- is bought by the
14 representative for her own use and our sales, of course,
15 at this time of year reach astronomical proportions,
16 because of the fact that many representatives will be
17 giving merchandise as gifts which they buy from us
18 at wholesale rather than buy a gift over the counter.

19 MR. MACDONALD: How do you select
20 your personnel?

21 MR. PHELAN: We have a field force
22 of over 150 District Managers. Some of this information
23 is confidential and I will ask the reporter to please
24 keep this -- we have 150 District Managers who are
25 responsible for a group of these representatives. So,
26 for example, in the City of Toronto there are, if I
27 recall rightly, 11 or 12 District Managers. And their
28 object in life is to find the person who will do the
29 selling, train her with the aid of a group that we call
30 Beauty Counselors who have some skill in the handling of



1 cosmetics. This training period consists of, I would
2 think, eight or nine hours over a period of time,
3 not all at once. Over a period of two or three weeks.
4 It is done with the use of film and with books and,
5 catalogues and other literature. Of course there
6 is always recourse, on the part of the representative,
7 to the central office.

8 MR. MACDONALD: Are these field
9 managers on staff or are they on commission?

10 MR. PHELAN: They are on salary. They
11 are paid from Montreal a fixed salary, which is a
12 considerable salary for a woman and also paid a
13 commission on the sales made by the representatives
14 in her territory, for which she is responsible.

15 It's very common -- as a matter
16 of fact it is standard practice -- that when a woman
17 leaves us, and this happens because women do get
18 pregnant or do lose interest in selling for some
19 reason or another -- she will recommend another friend
20 of hers or a neighbour to take the job on. We don't
21 have any trouble really replacing our staff. The
22 only trouble we have in this respect is keeping up
23 with the needs in the burgeoning areas around the
24 larger municipalities.

25 MR. MACDONALD: Do you ever extend
26 credit?

27 MR. PHELAN: I explained to you, sir,
28 that the credit is extended on the basis of a 21
29 day period. Only to the representative, not to the
30 consumer. The consumer pays cash on delivery.



1 MR. MACDONALD: What is your procedure
2 if one of your representatives comes to my wife and
3 gets an order and she comes back and my wife has
4 changed her mind and doesn't want it?

5 MR. PHELAN: That representative will
6 either keep the merchandise and sell it to someone
7 else or, if she feels that she doesn't want to do that
8 it can be returned to us for credit. As a matter of
9 fact your wife could take the merchandise from the
10 representative, if she were a friend, let's say, and
11 she didn't want to refuse her, she could take the
12 merchandise from her, pay her, and send the merchandise
13 to us and we would return her money to her.

14 MR. MACDONALD: In other words there
15 would be no problem in your industry if there was a
16 waiting period for a contract in which they can back
17 out, because in effect they can back out now?

18 MR. PHELAN: Operationally there is no
19 problem, but we are not that enthusiastic about it as
20 a matter of principle.

21 MR. SEDGWICK: Well, you wouldn't be
22 concerned anyway because you don't extend consumer
23 credit at all. The credit is only to your agent. She
24 can get credit if she cares to.

25 MR. PHELAN: If she cares to. We, in
26 the course of training, try to discourage her against
27 it because this is a situation in which no small
28 entrepreneur, such as our representatives, can undertake
29 for any extended period of time. If she were to go
30 into the business of extending credit, in time she would



1 soon lose her customers. Besides the amounts involved
2 are substantially very small, very minute compared
3 to some. There is really no credit problem at all.

4 MR. SEDGWICK: I really have no
5 questions because I don't think you are within the
6 Committee's authority. But one thing, just for the
7 record. Your firm subscribes to and is a member of
8 the Direct Sellers Association?

9 MR. PHELAN: We are.

10 MR. SEDGWICK: And you are aware that
11 they presented a brief today?

12 MR. PHELAN: Very much so.

13 MR. SEDGIWCK: And I take it you concur
14 in that brief, is that right?

15 MR. PHELAN: Yes.

16 MR. SEDGWICK: Although so far as
17 credit selling is concerned, you really have no present
18 interest in the matter?

19 MR. PHELAN: Right, exactly correct.
20 We are subscribers to the brief. But there are some
21 companies -- we only have 15 members in Direct Sellers --
22 who would be adversely affected by what we think may
23 be an objective on the part of the Committee to entrap
24 certain less reliable people. We don't like the business
25 of being included by inference with people who don't
26 do business responsibly.

27 I'm sure the Committee is aware
28 of the fact from yesterday's presentation, that there
29 are two severe requirements for membership in the Direct
30 Sellers Association. One of them is that they be members



1 of the CMA, the Canadian Manufacturers Association,
2 which ipso facto means that they manufacture their
3 own goods from top to bottom or stem to stern. And
4 the other requirement is that they sell door-to-door
5 with an unconditional guarantee. This is true of
6 all our members.

7 MR. MACDONALD: In our phraseology
8 of yesterday, this is one of the good guys. (Laughter).

9 MR. PHELAN: If it's of interest to
10 the Committee, the phrase did (next few words
11 inaudible) -- at the time that I was President of
12 the Direct Sellers. And we think that while the
13 term is not precisely grammatical it is descriptive.
14 I would only hope that the Committee, in its judicious
15 efforts to protect the consumer, doesn't in its
16 efforts evoke legislation which adversely effects
17 the good guys.

18 MR. REILLY: Mr. Chairman, I was
19 going to ask Mr. Phelan, these representatives --
20 you said that if they got into the credit business
21 they may soon be out of business.

22 MR. PHELAN: Yes.

23 MR. REILLY: In what way?

24 MR. PHELAN: Since, as I explained
25 at the beginning, they are selling in their neighbour-
26 hoods and to their friends. I am sure you have heard
27 of the old adage -- the way to lose your friends is to
28 lend them money. We think this is one of the lessons
29 our people should learn early, and they appreciate
30 this and do so, on this basis.



1 THE CHAIRMAN: Any other questions,
2 gentlemen?

3 MR. BUKATOR: We have a lady, and a
4 very fine lady she is too, who comes around to our
5 home and takes her order for another time. Only we
6 have been invaded -- our house has been invaded. First
7 I remember using your shaving cream, then a deodorant,
8 then a spray deodorant, then after shave lotion, and
9 I find that --

10 MR. REILLY: Maybe you needed it
11 all right, George. (Laughter).

12 MR. BUKATOR: That only proves the
13 calibre of man that you are, Reilly. You always have
14 your mind where the dirt is.

15 Anyhow, getting back to the
16 Avon lady. I think that you do an excellent job,
17 especially the lady in our area.

18 MR. PHELAN: I would like to suggest
19 that all the members of the Direct Sellers Association
20 do business the same way. There are many who seek
21 to obtain membership in the Association but we require
22 these severe conditions to which I have already referred.

23 MR. BUKATOR: If you are always looking
24 you might get Mr. Reilly to sell him some of that
25 stuff too.

26 MR. REILLY: If it's good enough for
27 George, it's good enough for me.

28 THE CHAIRMAN: Mr. Phelan, I don't
29 think there are any other questions. We certainly
30 appreciate your taking the time to be with us today and



1 presenting us with your experience, which I am sure
2 will be a very great help to us. Thank you very much
3 for being here.

4 MR. PHELAN: If I can be of further
5 help in any way I can come back, if you wish.

6 THE CHAIRMAN: Thank you very much.

7 We will take five minutes.

8 ---SHORT RECESS.

9 ---UPON RESUMING:

10 THE CHAIRMAN: We have a representative
11 here, gentlemen, from the Premier Finance Corporation
12 Ltd., who we will be hearing from next.

13 Would you care to introduce
14 yourself to the Committee and tell them what your
15 position is with the company?

16 MR. LLYTLE: Fine. My name is Llytle
17 and I the Assistant Treasurer of Atlantic Acceptance
18 Corporation who are the parent company of Premier
19 Finance Corporation Ltd.

20 THE CHAIRMAN: Would you care to give
21 the Committee some background about your company or
22 would you prefer that we ask you some questions?

23 MR. LLYTLE: Based on what I have
24 been listening to today I would say that you have lots
25 of questions from our side of the picture.

26 Just a very brief outline about
27 Atlantic Acceptance. It is a general sales finance
28 company with its head office in Oakville. Premier
29
30



1 Finance is a wholly owned subsidiary which we purchased
2 some five, six years ago. It is primarily in the
3 budget discount business of revolving credit. Some
4 three years back the management of the Premier decided
5 to go into the conditional sales contract business and
6 went very heavily into financing the door-to-door type
7 of selling. We have since removed ourselves from
8 that field. But if we can be of any assistance to
9 the Committee in clarifying any comments made, we will
10 try or we will get the answers for you.

11 THE CHAIRMAN: Very good. Mr. Sedgwick?

12 MR. SEDGWICK: Well, the obvious first
13 question, Mr. Llytle, is why did you get out of the
14 business?

15 MR. LLYTLE: We found it a very
16 difficult field to administer profitably. We quite
17 frankly didn't like some of the sales tactics that
18 we had to put up with. Our experience in collecting
19 accounts and in bad accounts was considerably greater
20 than in other fields of financing. This is just one
21 field of financing that we are in. We did not find
22 it profitable, or satisfactory.

23 MR. SEDGWICK: When you say that you
24 didn't like some of the sales tactics, it would be
25 helpful, I am sure, to the Committee, if you could be
26 specific. What sales tactics did you discover that
27 you felt were bad?

28 MR. LLYTLE: I have been making a
29 few notes as we went along -- they may be a little
30 erratic, but I'll try and pick them up as they come



1 through. Most of the points have been touched on.

2 We found that the selling
3 generally was in the high pressure selling, it was
4 very difficult for us to be completely satisfied after
5 we had investigated a prospective contract that the
6 facts that had been presented to us by not only
7 selling companies, but customers themselves, were
8 accurate. On occasion we subsequently discovered
9 after purchasing a contract that the customer had,
10 in fact, told us mistruths.

11 MR. SEDGWICK: The customer?

12 MR. LLYTLE: The customer, yes. This
13 is very difficult to understand or believe. As near
14 as we could determine -- in most instances where
15 it happened it was a case of a customer being oversold,
16 on the benefits he would derive. And some instances
17 of the customer being warned of our probable phone
18 calls and we would check and he would be coached as
19 to what to say.

20 MR. SEDGWICK: Oh. Well I was going
21 to come to that. It has been said to this Committee
22 that before the finance company would make a payment
23 on a note, the finance company would check with the
24 customer. Is that so?

25 MR. LLYTLE: This is so. This is the
26 accepted practice.

27 MR. SEDGWICK: By telephone?

28 MR. LLYTLE: Yes.

29 MR. SEDGWICK: But you have reason to
30 believe that very often the salesman coached the customer



1 to give you an answer that would delay suspicion. Is
2 that right?

3 MR. LLYTLE: Unfortunately this
4 has been established to be true in some instances.

5 MR. SEDGWICK: And then I suppose
6 later when you tried to collect on their obligation
7 the customer would say that they had been defrauded
8 or deceived and would object to payment?

9 MR. LLYTLE: In the course of this
10 final phone call, before we purchase the contract,
11 we endeavour to outline to the customer his complete
12 and full obligations to us, the fact that we are a
13 sales finance company, that we are not part of the
14 selling organization. There is quite often considerable
15 confusion in the customer's mind between them, in
16 creating a distinction. We outline the whole contract
17 verbally. You understand that this is how much your
18 siding was, these are the service charges and the
19 total contract and you will pay this at X dollars per
20 month starting on such and such a date.

21 MR. SEDGWICK: And you would
22 ordinarily, I suppose, get the customer's acquiescence?

23 MR. LLYTLE: Yes. It takes quite --
24 you have to develop quite an art to ferret out these
25 coachings that have occurred.

26 MR. SEDGWICK: Would you also get from
27 the seller, or from the customer a little document
28 called a completion slip, certifying that --

29 MR. LLYTLE: It was our practice to
30 request a completion slip.



1 MR. SEDGWICK: Yes. Did you ever
2 have reason to suspect that those also were phoney
3 in the sense that -- I have been told that many of
4 them are signed at the same time as the note is
5 signed -- and before the job is even started.

6 MR. LLYTLE: Our operations with
7 people very definitely lead us to believe that this
8 has happened.

9 MR. SEDGWICK: The completion slip
10 was not honest because it was signed before the job
11 was started, never mind if it was completed.

12 MR. LLYTLE: We are, of necessity,
13 not talking about the majority of our accounts, but
14 this has happened. We discovered situations like
15 this, we are confident.

16 MR. SEDGWICK: Did you have any
17 recourse, under your system of financing these notes?
18 By that I mean were you to find such a situation to
19 exist, did you have a right to return that particular
20 piece of paper to the seller and debit his account
21 with it?

22 MR. LLYTLE: Yes. Our, what we call,
23 non-recourse endorsement covers fraudulent contracts.
24 Under the terms of the endorsement we have the right
25 to return them to the dealer.

26 MR. SEDGWICK: But I suppose --

27 MR. LLYTLE: This is sometimes not
28 practical.

29 MR. SEDGWICK: I was just going to
30 say, in many cases it wasn't practical because the dealer



1 was not sufficiently financed to take them back.

2 MR. LLYTLE: Or unwilling.

3 MR. SEDGWICK: Or unwilling, yes.

4 Was it your practice to give any
5 part of your finance charge as a rebate to the
6 dealer?

7 MR. LLYTLE: At the time of purchasing
8 the contract -- perhaps I should back up a little bit --
9 when we first had contact with the dealer with the
10 prospect of buying paper from them, we would discuss
11 the terms under which we were willing to buy paper,
12 the type of customer we were willing to finance, and
13 the terms we would accept, the rate charge to be
14 used and what would, if any, would be his participation.
15 There are no firm, set rules, and what we would do
16 is establish with each given dealer a programme and
17 we would set aside, at the time of purchase, what
18 we called a dealer reserve. We set this aside as
19 a liability on our accounts.

20 In some instances we would pay
21 portions of this to the dealer on a regular basis. In
22 other instances we would retain it. We always retained
23 some for fraudulent contracts or --

24 MR. SEDGWICK: Or if not fraudulent,
25 not honest, is that right?

26 MR. LLYTLE: Yes.

27 MR. SEDGWICK: Percentagewise what was
28 your dealer reserve?

29 MR. LLYTLE: I am guessing, sorry,
30 an average of 15% of the service charge.



1 MR. SEDGWICK: So if the service
2 charge was \$100.00 you would set out \$10.00 in
3 your dealer reserve, is that right?

4 MR. LLYTLE: Yes.

5 MR. SEDGWICK: And that would be
6 carried over the period in which you had any of
7 that dealer's paper paid, is that correct?

8 MR. LLYTLE: That's right.

9 MR. SEDGWICK: And then at the end,
10 your experience has been 100%, I suppose he would get
11 100% of that 10% reserve?

12 MR. LLYTLE: If in the interim our
13 experience based on our delinquency record was
14 satisfactory, we conceivably would release a portion
15 of it.

16 MR. SEDGWICK: And correspondingly
17 if you had unsatisfactory experience he might well
18 get nothing?

19 MR. LLYTLE: Yes.

20 MR. SEDGWICK: I interrupted you. Go
21 on.

22 MR. LLYTLE: There is another reason
23 for retaining this, and this is in the uncertain field
24 -- particularly where they are excellent credit risks --
25 are incidents of customers paying up the accounts
26 before maturity is high, then there would be a reversal
27 of the reserve and also a charge back at the end to
28 the dealer.

29 MR. SEDGWICK: That would be under
30 the heading of rebates. Isn't that right?



1 MR. LLYTLE: Yes.

2 MR. SEDGWICK: Yes. And that would
3 be proportionate to the time of the whole obligation?

4 MR. LLYTLE: Yes, under what is called
5 the rule of 78ths.

6 MR. SEDGWICK: And as to your security,
7 it is pretty obvious that you can't get anything in
8 the nature of a conditional sales contract on siding
9 on a house. You would have, of course, the note from
10 the customer --

11 MR. LLYTLE: This was the practice.

12 MR. SEDGWICK: Yes, and then you
13 would have the endorsement of the dealer?

14 MR. LLYTLE: Generally speaking we
15 were buying non-recourse.

16 MR. SEDGWICK: I see. Then you would
17 have the primary security being the note of the
18 customer and then did you have any sort of a lien on
19 the land?

20 MR. LLYTLE: Depending on the individual
21 circumstances and the dollars concerned, we would on
22 occasion request a mechanic's lien be filed.

23 MR. SEDGWICK: I see. And then you
24 just file your mechanic's lien. Would you proceed any
25 further with the mechanic's lien other than the filing
26 of the lien itself?

27 MR. LLYTLE: No.

28 MR. SEDGWICK: Just file the lien as
29 sort of a holding security?

30 MR. LLYTLE: A holding security.



1 MR. SEDGWICK: Because you realized,
2 of course, that you would have to go through the
3 complicated machinery of a mechanic's lien.

4 MR. LLYTLE: Yes.

5 MR. SEDGWICK: In terms of dollars
6 could you give the Committee any idea as to how bad
7 this type of account was? By this I mean if your
8 ordinary mortality was about 1%, would this be 2, 3, 4,
9 5 or what?

10 MR. LLYTLE: Perhaps the easiest way
11 is here -- our ground rules for delinquent accounts.
12 We work towards maintaining a delinquency ratio of
13 two to three percent. We have had as high, on
14 occasion, as 15% in this type of business.

15 MR. SEDGWICK: And by delinquency
16 you mean a permanent and unrecoverable account?

17 MR. LLYTLE: In this context I am
18 thinking of accounts that are overdue, regular
19 payments overdue 30 days or more. I do not have
20 with me or in my head the loss figures. But they are
21 higher than automobile financing.

22 MR. SEDGWICK: You said earlier that
23 you had given up this type of financing. When did
24 you give it up?

25 MR. LLYTLE: We started cutting back
26 on dealers that we weren't happy with in their
27 operations about a little over a year ago. And then
28 in June we ceased entirely.

29 MR. SEDGWICK: And as to your rates.
30 Did you have a special or rather let's say an especially



1 high rate for this type of financing or did you have
2 a uniform rate for any paper that you were taking?

3 MR. LLYTLE: No. This is -- I have
4 one of our rate charts here I will leave with you --
5 I think this is probably our highest rate charge.

6 MR. SEDGWICK: I see. Then you
7 have different rates --

8 MR. LLYTLE: Our lowest rate chart,
9 as an illustration, would be the financing of new
10 automobiles. Because they are fully secured as far
11 as the security is concerned. We can always, if
12 the customer can't pay, we can pick up the car and
13 sell it on the market. Here basically all we have is
14 a promissory note.

15 MR. SEDGWICK: I see.

16 MR. LLYTLE: There is an old saying
17 in the industry that you can't charge a high enough
18 rate to make up for bad credits.

19 MR. SEDGWICK: I suppose that's true.
20 But you say that this is one of the worst types of
21 business so you charge this on your highest rate card,
22 is that right?

23 MR. LLYTLE: The highest rate chart.
24 And in line with what Mr. Simon was mentioning.

25 MR. SEDGWICK: Well I can tell you
26 because I have it in my mind -- \$3,000.00 for 60 months,
27 would that be \$77.00 a month?

28 MR. LLYTLE: \$3,000.00 for how many
29 months?

30 MR. SEDGWICK: Sixty -- five years?



1 MR. LLYTLE: Five years. \$1,647.00.

2 MR. SEDGWICK: That's what he said.

3 Somebody said that works out percentagewise to 26.2%.

4 Is that right?

5 MR. LLYTLE: I think this is pretty
6 close. It's what you call an add-on rate.

7 MR. SEDGWICK: Yes.

8 MR. LLYTLE: One you usually look at
9 as \$1,000.00 for 12 months, which is \$134.72 -- that's a
10 13.4 for add-on.

11 MR. SEDGWICK: Yes. And would your
12 rates as shown on that card be comparable to the
13 rates charged by other finance companies who were
14 willing to do this particular type of business?

15 MR. LLYTLE: Yes. It is quite a
16 competitive industry, in the financing field as well.

17 MR. SEDGWICK: There are still some
18 firms doing this kind of business, and Baker is one.
19 Do you know the Baker firm?

20 MR. LLYTLE: I know of them, yes.

21 MR. SEDGWICK: When you did do the
22 business, did you confine yourself geographically?

23 MR. LLYTLE: Unfortunately, originally
24 we did not. This was a large mistake. If the pressure
25 selling was removed and you restrict yourself to a 50
26 mile radius of your area, it can be quite a satisfactory
27 business.

28 MR. SEDGWICK: I think that's all my
29 questions.

30 THE CHAIRMAN: Mr. Irwin, do you have



1 any questions?

2 MR. IRWIN: Yes, Mr. Chairman. Mr.
3 Llytle, following on this question of the participation
4 by the dealer in the finance charges on the contract,
5 it seemed to be evident this morning that at least one
6 of the people involved, one of the companies involved,
7 weren't too clear as to what extent they participated
8 in this arrangement.

9 MR. LLYTLE: My experience is this
10 would be a very great surprise to me if they didn't
11 know what they were expecting to get. The ones we
12 were doing business with were very sharp on this
13 participation set-up.

14 MR. IRWIN: Excuse me if I go back.
15 I think you just explained to Mr. Sedgwick how rather
16 complicated it can become in determining how much
17 the finance company will actually pay back to the
18 dealer, the amount of your reserve in relation to
19 the continued liability and all this kind of thing,
20 you experience with them --

21 MR. LLYTLE: Perhaps I should outline --

22 MR. IRWIN: It isn't really too clear
23 to the dealer -- you can't really predict too well
24 how much he is actually going to get back.

25 MR. LLYTLE: Perhaps I should outline
26 our general policy insofar as these reserve accounts
27 are concerned. For each account that we purchase from
28 a dealer we prepare a billing set or an account card.
29 On this is the bulk of the information relative to the
30 account, including the dealer reserve section. With



1 the cheque to the dealer a copy of this goes to him.
2 So he is continually told, month by month, how much
3 we are crediting to his account. Then our manager
4 monthly is supplied from the central accounting office
5 a statement on each of his dealers of the opening
6 balance on his account, the new business purchased
7 and charge-backs or releases to the dealer. Generally
8 speaking these managers then, in the course of their
9 normal visits, their sales visits, will go over this
10 statement with the dealer.

11 MR. IRWIN: Yes. I don't think there
12 is any disagreement here about that. But while you
13 report to the dealer the status of his reserve the
14 actual amount you would be willing to pay him out at
15 the end of the month -- he couldn't really determine
16 that beforehand.

17 MR. LLYTLE: If he's a well-staffed,
18 sound dealer with a low delinquency ratio, then he
19 has a basic pattern that we will retain in this
20 account -- 1% of the outstanding accounts.

21 MR. IRWIN: I think the only point
22 I just wanted to make clear. This morning it seemed
23 that these people were being evasive. I don't suppose
24 they were. The man couldn't say definitely, particularly
25 if he hasn't got a pattern established, well established
26 like a General Motors car dealer, who can predict pretty
27 well what he's going to get in the way of rebate.

28 MR. LLYTLE: He knows how much money
29 he's going to get on the 15th of the month.

30 MR. IRWIN: But the ordinary dealer of



1 the type we were talking about, this morning, couldn't
2 really predict accurately what he was going to get
3 from the finance company.

4 MR. LLYTLE: In many of these instances
5 the finance company wouldn't be prepared to say what
6 it would release.

7 MR. IRWIN: Even though you knew
8 you had credit available to him you wouldn't be
9 anxious to pay it to him. That's the point.

10 MR. LLYTLE: This is basically an
11 operating business decision in the light of all the
12 business and the circumstances as to how far you are
13 prepared to go with that.

14 MR. IRWIN: The next point is, on
15 your chart -- I guess an official copy of this should
16 go to Mr. Harcourt, but I'd like a copy myself, if
17 I may. Would -- I'll ask you the question that seems
18 to be close to my heart in a professional way -- would
19 you find it difficult to prepare a table similar to
20 that, but adding to it the percentage rate for each
21 of your range of loans? So that the dealer could
22 declare this to the customer?

23 MR. LLYTLE: An accountant likes to
24 say anything is possible. One thing that I did notice
25 -- I'll digress a little bit to answer this -- both
26 this morning and this afternoon, is this question of
27 contracts not being completed in the presence of the
28 customer and the service charge not showing. This was
29 a real bone of contention with us. We feel that by
30 always showing the amount of the charge, the dollar



1 amount, on the contract the customer gets the
2 information that is necessary for him to make an
3 intelligent decision as to whether he wants to finance
4 this or whether he wants to go ahead with the deal
5 at all. We are definitely against not having fully
6 completed documents before they leave the customer.
7 We feel that the dollar value serves the purpose.

8 MR. IRWIN: Well, perhaps I am putting
9 you on a spot. If so you don't have to answer. But
10 leave aside the assumption as to whether this is
11 sufficient information for the customer to make a
12 valid decision, maybe it is and maybe it isn't. I
13 don't know. But let's assume it wouldn't do him any
14 harm at any rate to know the rate on top of what you
15 give him.

16 MR. LLYTLE: I understand there
17 is considerable research going on in the Federation
18 of Sales Finance Companies which is the organization
19 of the companies. We at Atlantic have not had any
20 discussions along these lines for me to answer your
21 question properly.

22 MR. IRWIN: I gather that you prefer
23 not to.

24 Would your experience with
25 bad debts, losses -- in fact would there be any? I
26 know there would be delinquent payments, this kind of
27 thing, but do you ever as a finance company run into
28 the situation where you absolutely and finally write
29 off a contract?

30 MR. LLYTLE: Yes, sir.



1 MR. IRWIN: Would you first, before
2 you did that, would you attempt to recover from the
3 dealer?

4 MR. LLYTLE: In the case of a write-
5 off account that for various reasons -- perhaps a
6 man's circumstances have changed and it's a loss on
7 a non-recourse basis. We have to absorb the loss. If
8 it is a fraudulent contract, if it's a known fraud,
9 you go back to the dealer.

10 MR. IRWIN: Yes.

11 MR. LLYTLE: I don't have any figures
12 with me, but we have written off on our accounts
13 considerable dollars.

14 MR. IRWIN: Have you any idea what
15 that would be in percentage? Percentage of the per
16 year, that is the actual debt on write-offs per year
17 of the total contracts written in the year? Do you
18 happen to know that?

19 MR. LLYTLE: I don't have that, but
20 we are in the process of developing this type of
21 information for our own purposes. But I would have
22 to get it for you if you want it.

23 MR. IRWIN: Would you guess it would
24 be very low -- something like 1/2 of 1%?

25 MR. LLYTLE: 1/2 of 1% is the target.
26 If you will pardon my reaching in the air and pulling
27 a figure out, this would have to be in excess of 5%.

28 MR. IRWIN: You think it would reach
29 that high?

30 MR. LLYTLE: As I said, we are liquid-



1 ating this now. At this stage of the game we don't
2 know. I'm guessing; something of that order.

3 MR. IRWIN: That wouldn't be across
4 the board with all types of contracts written by
5 your firm?

6 MR. LLYTLE: No, I am referring to
7 this particular type of financing.

8 MR. IRWIN: Well then, taking this
9 particular type of financing and setting that aside,
10 and taking all other types of financing and dealing
11 with that, this is what I am trying to establish,
12 if on all other types of contracts your absolute
13 dead loss write-offs were 1/2 of 1% of that total --
14 are you saying then in this type of contract it
15 might be as high as 5%?

16 MR. LLYTLE: That's right. It would
17 be 1/2 to 1% in ordinary consistent financing, and
18 in this particular situation it would probably be 5%
19 or something of that order.

20 MR. IRWIN: Ten times as much?

21 MR. LLYTLE: Yes. But I am reaching
22 there because I don't really have the facts as yet.

23 MR. IRWIN: Thank you very much.

24 THE CHAIRMAN: Mr. Reilly, do you
25 have any questions?

26 MR. REILLY: Yes, Mr. Chairman. I
27 suppose Mr. Llytle calls himself a non-moving partner
28 to the door-to-door salesman under the circumstances.
29 Those that you mentioned particularly were high-pressure,
30 the fact that the customer perhaps had to reassert the



1 truth. The finance company would call the customer
2 and under those circumstances the customer anticipates
3 the call because he has been coached by the salesman.
4 The completion slip that is signed in advance before
5 the job is completed. Those are the reasons that you
6 gave. Are there any other reasons?

7 MR. LLYTLE: For being unhappy with
8 this?

9 MR. REILLY: Yes, with this particular
10 deal.

11 MR. LLYTLE: Basically these are the
12 problems that arose. We found it took an awful lot
13 more conversation with the dealer to reject a home
14 improvement deal than reject an automobile deal for
15 credit reasons.

16 MR. REILLY: Well you told us that
17 your preferred rates were in the automobile section,
18 and this other is a 26% or 26.2. What would be your
19 rate with an automobile dealer?

20 MR. LLYTLE: Roughly, in simple terms,
21 15 to 18%.

22 MR. REILLY: So that this case that
23 Mr. Bukator and myself were discussing a little earlier;
24 up in Sudbury where a chap wanted to consolidate his
25 funds and under those circumstances he was paying 26%.
26 I suppose he couldn't have gone to the bank on the
27 basis of time nor on the basis of security.

28 MR. LLYTLE: This was one aspect of
29 the financing that we did not relish. We did not like
30 this consolidating. For one reason we have a loan



1 company that we --

2 MR. REILLY: This is very common
3 though, isn't it?

4 MR. LLYTLE: At one point it was.
5 We, about two years ago after six months experience
6 of this -- in fact, surprisingly, we are ashamed to
7 admit it, it went on without our knowledge for a while
8 by coaching customers -- but we cut it way back. Mr.
9 Simon gave the illustration of dollar for dollar. I
10 believe we cut it back to a maximum of twenty-five
11 cents for a dollar. Twenty-five cents of consoli-
12 dation for a dollar of aluminum siding. The last
13 few months we did business with these people we were
14 taking no consolidation.

15 MR. REILLY: The type of security
16 that would be offered to the bank wouldn't be
17 satisfactory?

18 MR. LLYTLE: No. These were generally
19 fairly rough credit risks. The security basically
20 was the promissory note. A banker, in most instances,
21 just would not be interested.

22 THE CHAIRMAN: Mr. Rowe? Mr. Edwards?
23 Mr. Kerr?

24 MR. KERR: You heard Mr. Simon earlier
25 say that he would not favour showing the finance
26 charges let alone the interest rate, and he said words
27 to the effect that it would pretty well queer most
28 deals. Now, were you aware or would your company be
29 aware of these forms that were not filled out completely,
30 or would they just be filled out by the salesman at a



1 later date or by somebody like Stag, and then sent
2 to you and as far as you are concerned it was a properly
3 signed contract? Is that the way it worked?

4 MR. LLYTLE: Until we became a little
5 more sophisticated at it -- quite frankly we were
6 not aware that these were not being completed. When
7 we discovered it, primarily through the phone checks,
8 through a customer who wasn't properly versed, we
9 proceeded to clamp down on them and we were confident
10 that we were successful. People who would refuse to
11 complete them properly, we stopped doing business
12 with immediately. But the basically reputable
13 organizations that we stayed with, generally speaking
14 to our knowledge, proceeded to complete them properly.

15 MR. KERR: Now do you think Mr. White's
16 example of the \$800.00 sale and ending up with
17 finance charges of \$1,000.00 -- would this be possible
18 as far as your company is concerned? Wouldn't you see
19 there was something wrong? Is there some way to
20 get around that?

21 MR. LLYTLE: Definitely. People are
22 very good at finding ways to get around us, so, say
23 to the illustration, we just would not accept the
24 contract with what they call "packed rates". This is
25 what is called packing the rates in the industry. We
26 wouldn't accept the contract on this basis.

27 MR. KERR: No, but the point is you
28 wouldn't know.

29 MR. LLYTLE: We would not buy a
30 contract until it was completed in full, what we call



1 the discounting, when the sale price and the dollars
2 are filled in. Whether they were filled in in the
3 presence of the customer or not is another question.
4 But we would not accept an incomplete document.

5 MR. WHITE: Well, that's the way this
6 works. The contract is filled in in part only with
7 the customer -- let's take this illustration, \$30.00
8 for 60 months, \$1,800.00. The fellow gets back to
9 his office and he writes down your 26% and adds it
10 in and comes up with a balance of \$1,200.00 and something
11 and he adds it to the principal.

12 MR. LLYTLE: At the time of phone
13 checking our final check before we purchase the
14 contract, we would follow the practice in conversation
15 with the customer of outlining those figures. "Is this,
16 or do you understand this to be true?" And we would
17 ask, "Was this signed in your presence?" And if the
18 answer was No, we didn't want it.

19 MR. WHITE: The only point I was trying
20 to make is there is a lot of fooling around between
21 the principal and the interest in these cases.

22 MR. LLYTLE: Conceivably possible.

23 MR. KERR: All they put in is the
24 amount per month and the number of months.

25 MR. ROWE: He said they put in the
26 total contract price too.

27 MR. WHITE: He said that this afternoon
28 but he didn't say that this morning.

29 MR. LLYTLE: It is our policy to require
30 a fully completed contract before it is presented to us.



1 If it wasn't completed we would send it back. And
2 if it was two different colours of ink and it wasn't
3 initialled by the customer, again we would say: "Look
4 this has got to go before the customer". And we
5 had to determine from the customer, was he fully aware
6 of this and was it done in front of him, in an attempt
7 to weed out these poor dealers, these people whom we
8 dislike doing business with.

9 MR. KERR: But you did encounter
10 some of this type of selling on the part of the dealer?

11 MR. LLYTLE: Oh, we did encounter it
12 and tried to either eliminate it or remove the dealer.

13 MR. KERR: You really make those
14 long distance calls?

15 MR. LLYTLE: Yes. This is comparatively
16 new, or fairly new. We started this about two years
17 ago when it became apparent from some of our delinquent
18 follow-ups, where we are obliged to make phone calls,
19 that the facts as presented on our files were less
20 than accurate. We determined that it was an absolute
21 necessity that we phone the customer at the time of
22 the sale, before installation, and then when we were
23 ready to write our cheque out. Otherwise we were
24 creating problems for ourselves; we tried to eliminate
25 the problem.

26 MR. KERR: The copy of the contract
27 that you receive, if you had said that to the customer,
28 that would help the situation, wouldn't it? That as
29 far as you were concerned, when you got the contract
30 it was for all intents and purposes a properly completed



1 contract?

2 MR. LLYTLE: In our contract sets
3 there is a copy for the customer. We ask the selling
4 firm, "Did the customer get it?" We ask the customer,
5 "Did you get it?" We are trying to cover these tracks.
6 Sometimes it wasn't successful because of practicability.
7 Ultimately every customer receives a coupon payment
8 booklet with a pad of IBM coupons telling where to
9 make the payments and how much. At this point it
10 is a pretty impressive envelope and he very quickly
11 becomes aware of his committment.

12 MR. KERR: Do you have any balloon
13 charges in this type of contract?

14 MR. LLYTLE: Our general rule is
15 we don't want balloon payments. In this particular
16 type of financing it would be considerably less than
17 1% of the contract if we ever had balloon deals. It's
18 not good financing.

19 MR. KERR: I don't imagine you ever
20 attempt to repossess, particularly a storm door or
21 something like that?

22 MR. LLYTLE: No. It has no value.
23 It would cost us more to repossess than it's worth.

24 MR. KERR: You mentioned that you file
25 a lien. In a situation where you have a contract
26 being financed over a two year period, say, you wouldn't
27 file a lien in that case, would you? Because this is
28 a form of saying that you think there is something
29 the matter with the credit, there is a default of some
30 type. You would probably register the conditional sales



1 contract against him, is that what you are doing?

2 MR. LLYTLE: Yes. Notice.

3 MR. KERR: Say it's for a two year
4 period, many times the customer doesn't even know --
5 he just pays according to the contract.

6 MR. LLYTLE: Yes.

7 MR. KERR: I don't know whether this
8 question was asked or not. I wonder if your industry
9 would object to showing the interest rate on its
10 contracts?

11 MR. LLYTLE: Unfortunately I am
12 not in a position to speak for the industry. In
13 talking to our operations people, from a practical
14 standpoint they feel that the dollar value serves the
15 purpose. But the Council would probably have some
16 thoughts on this.

17 THE CHAIRMAN: Mr. MacDonald?

18 MR. MACDONALD: Mr. Chairman, I wonder
19 if I might ask Mr. Llytle-- I'm very curious about
20 this business of the consumer having been coached.
21 Exactly in what areas would he be coached that would
22 mislead you?

23 MR. LLYTLE: I made a note here on
24 this. The question of lead fees, a bonus to the
25 customer, using his house for a demonstrator -- when
26 we started to clamp down on this sort of thing, what
27 they call "freers" in the trade, we issued an edict to
28 all our dealers: We don't want freers. They are
29 nothing but trouble. So we then of course had to
30 determine that it was a freer. For a while we were



1 determining it in conversation in our phone call to
2 the customer. And we were turning up the freers.
3 All of a sudden, with certain dealers, there were no
4 more freers. It just didn't happen. Well, this
5 creates suspicion in the mind of a good sales finance
6 man. We proceeded to dig a little harder and start
7 questioning these customers at great length to the
8 point where some of them did actually break down
9 and say the salesman them that the credit department
10 would phone and if they told the credit department
11 what was going to happen, that they were going to
12 get this free bonus, then there would be no bonus.

13 MR. MACDONALD: Was it solely in
14 that kind of an area, that kind of problem? Or were
15 there other areas?

16 MR. LLYTLE: This was the biggest
17 problem we had. There were other difficulties about
18 committments that the salesman had made to the customer.
19 That the customer could come in 50 or 60 days and
20 pay off with no charges or a year from now there would
21 be no charges, which wasn't necessarily the fact.

22 MR. MACDONALD: Did your company do
23 business with some vacuum selling companies?

24 MR. LLYTLE: Yes, we did.

25 MR. MACDONALD: Kerby, for example?

26 MR. LLYTLE: Kerby does not ring any
27 bells with me.

28 MR. MACDONALD: Kerby Vacuum, on
29 Eglinton?

30 MR. LLYTLE: Compact was one that we



1 did business with. And we may have done some with
2 Kerby, but I don't know.

3 MR. MACDONALD: You did, because I
4 know.

5 To what extent do you examine
6 the contract? Maybe you have answered this question
7 because when you found a fraudulent one you turned
8 it back. But to what extent do you examine the
9 contract to find out whether or not it is a product
10 of excessive high pressure selling or whether there
11 were any elements of fraud involved?

12 MR. LLYTLE: The personal element is
13 what comes into play here. The efficiency of our
14 buyers, how well do they know their job, how well
15 do they know their dealers? Is he prone to pressure
16 selling? If he is then in talking to the customer
17 he is obliged from a practical standpoint to discuss
18 the account with the customer at greater length to
19 try and elicit more information and pull little tricks.
20 Tricks to trip the customer up on this coaching. It
21 boils very much down to the individual person who
22 is on the phone talking to the customer. How good
23 is he at his job.

24 MR. MACDONALD: You mentioned earlier
25 also that you had, in the initial stages of your business,
26 cast your net geographically too far, up to the north;
27 and that you had withdrawn that.

28 MR. LLYTLE: Our first step was to
29 say to the dealers, Premier Finance will only have
30 an office in Toronto and we will only operate within a



1 50 mile radius of Toronto. Now our parent company,
2 Atlantic Acceptance, will consider deals in a 50 mile
3 area of their own locations, in Sudbury for example.

4 MR. MACDONALD: Do you recall any
5 business that you had with Duro-Stone, in Downsview?

6 MR. LLYTLE: Duro-Stone -- I'm sorry,
7 I don't. I'm the accountant, but I don't --

8 MR. MACDONALD: Just out of curiosity
9 I would like to give you a copy of a contract and
10 ask you to check on this one, because this is one
11 that involves fraud. I have a letter from a reputable
12 lawyer who points out that the name of the agent
13 was erased from the contract, the name of the owner
14 was erased and his wife's name was put down. And
15 the contract was for 1895 for siding and ultimately
16 the thing came to 2900 or \$3,000.00. They don't
17 understand English much, they are French-Canadian.
18 They didn't really know that this is what they were
19 getting into.

20 MR. LLYTLE: Did this go through our
21 office?

22 MR. MACDONALD: Yes.

23 MR. LLYTLE: I would be more than
24 pleased to check it out, yes.

25 THE CHAIRMAN: Mr. Lawrence?

26 MR. LAWRENCE: You have no connection
27 with Premier Trust?

28 MR. LLYTLE: No.

29 MR. LAWRENCE: What was Atlantic before
30 it was Atlantic?



1 MR. LLYTLE: There has been no change
2 in name. It started in Hamilton about 12 years ago
3 as Atlantic Acceptance.

4 MR. LAWRENCE: And you were in the
5 home improvement business in a credit way about two
6 years ago?

7 MR. LLYTLE: Yes.

8 MR. LAWRENCE: You were doing a great
9 amount of it? Compared to other finance companies?

10 MR. LLYTLE: At one stage of the
11 game we were the, or Premier was the company here.

12 MR. LAWRENCE: And this was also
13 the time in the aluminum siding business when frauds
14 and corruption were rampant?

15 MR. LLYTLE: We were pretty green
16 at the wrong time. I had some green people at the
17 wrong time. We had a misfortune with the young
18 gentleman who first got us into this field and created
19 a lot of troubles. I think you are aware of some
20 of them.

21 MR. LAWRENCE: Your form had a
22 perforated part and the bottom part was a promissory
23 note?

24 MR. LLYTLE: Yes. We subsequently
25 replaced that with a billing set where the promissory
26 note is actually another piece of paper.

27 MR. LAWRENCE: Well, when you sent
28 them to the dealers were they not actually attached
29 to the contract?

30 MR. LLYTLE: Would you like to see



1 this contract?

2 MR. LAWRENCE: This is the one you
3 have now?

4 MR. LLYTLE: Yes.

5 MR. LAWRENCE: Yes, I would like to
6 see that. Do you have any of the examples which
7 Mr. Simon gave us?

8 MR. LLYTLE: In the sales finance
9 industry the generally accepted practice is a
10 conditional sales contract, the snap set, a four or
11 five part snap set, for convenience the note is
12 attached to the first one, perforated, with the comment
13 "This note must be detached before signature". This
14 is the practice followed in the sales finance field
15 in general. Our home improvement is actually the only
16 contract where the note is a separate piece of paper.

17 MR. LAWRENCE: But, of course, the
18 idea of perforating and tearing off the note, by the
19 time it got to you it was so that you people would
20 actually have no notice whatsoever of the terms of the
21 contract really.

22 MR. LLYTLE: My legal friends are
23 more versed in this than I am. I believe this has the
24 effect of creating an owner due course?

25 MR. LAWRENCE: Yes. But I mean it
26 was to your advantage to have the promissory note
27 completely detached from the thing so that -- you
28 people, in effect didn't want to see the contract. All
29 you want is the note.

30 MR. LLYTLE: The note is our security.



1 MR. LAWRENCE: This is your security,
2 and it's really the only one that counts. Right?

3 MR. LLYTLE: We, of necessity, must
4 be aware of all the facts.

5 MR. LAWRENCE: You don't want to know
6 the facts in regard to most of the contracts actually.

7 MR. LLYTLE: Oh, we wanted to know
8 the facts in regard to the contracts because if we
9 don't and we buy something where there is misrepresent-
10 ation we are leaving ourselves wide open to a lot of
11 trouble. A lot of problems anyway. At a minimum a
12 lot of problems with collecting the accounts.

13 MR. KERR: When you made these phone
14 calls you always had a contract didn't you?

15 MR. LLYTLE: At the time of approval
16 for credit all we had was information. We had a
17 copy of the contract when the actual dispersement was
18 made.

19 MR. KERR: Well then you would make
20 a phone call as well then, wouldn't you?

21 MR. LLYTLE: Yes. The second phone
22 call was at the time of our purchase of the note.

23 MR. LAWRENCE: But technically speaking,
24 there have been actions instituted -- I don't know
25 whether against your firm or not, but against some
26 other firms -- the excuse has been given that the finance
27 company had no contract at the time the committment was
28 made or even funds advanced, all they had was a
29 promissory note and they knew nothing more about the
30 deal and wanted to know nothing more about the deal. Did



1 this apply to your firm?

2 MR. LLYTLE: Is this the case in
3 Court -- they are suing on the note and wish to
4 divorce themselves from the contract. The note has
5 the --

6 MR. SEDGWICK: The note is simple
7 due course and you are not affected by anything between
8 the maker of the note and the payee.

9 MR. LLYTLE: This is the position we
10 are in.

11 MR. LAWRENCE: It seems to me that a
12 finance company which was the leader in that field at
13 the time, in a field which is pretty rough -- how
14 there couldn't possibly be some awareness on the part
15 of --

16 MR. LLYTLE: Very simply stated. When
17 the great mass of dollars of business started to roll
18 in in this particular company -- Atlantic Acceptance
19 is a firm that when they buy a company they choose to
20 let the present management run their own show. So there
21 was no interference, in the day to day operation. But
22 sometime after this massive amount of business started
23 to flow in then questions were asked. A senior Atlantic
24 person was put in there to determine whether it was
25 good business, whether it was satisfactory business,
26 was it being bought properly. Because of the volume
27 concerned it took us a little while to really get a
28 good, clear picture. Then we installed people from
29 the parent company to take over the running of this
30 particular part of the operation. The clean-up took



1 longer than we ever anticipated.

2 MR. MACDONALD: In effect Premier was
3 dealing to a very great extent in hot paper?

4 MR. LLYTLE: I'm afraid there was some
5 of that. We believe that it was unconscious or
6 unknowing. Certainly it was in the past year and a
7 half when we were in there with our own direct people.

8 MR. LAWRENCE: I find it almost
9 inconceivable that people who were doing the volume
10 that Premier was at this time would not at least
11 have some pretty firm idea what was going on in the
12 business at that time.

13 MR. LLYTLE: There have been some of
14 these questions asked within our own organization.

15 MR. LAWRENCE: I know there have. I
16 don't mean questions asked within your organization
17 but questions asked outside your organization by people
18 in the industry.

19 MR. LLYTLE: It was an unfortunate
20 situation that took longer to correct than we anticipated.

21 MR. LAWRENCE: A lot of notes, for
22 instance, were obviously signed in blank or signed
23 with very material things out of them.

24 MR. LLYTLE: One of our problems was
25 initial clerical -- this can be caught from a clerical
26 standpoint quite easily. It wasn't being done.

27 MR. LAWRENCE: At any event in your
28 own organization you found cases of fraud. Right? In
29 regard to some of these?

30 MR. LLYTLE: We suspected fraud. It is



1 a very difficult thing to prove, or establish. People
2 whom we suspected of having been guilty of it were
3 released, summarily. After consultation with our
4 counsel we felt that this was the only thing we could
5 do.

6 MR. LAWRENCE: Did you turn any
7 material or any information over to the Fraud Squad
8 or the OPD, for instance?

9 MR. LLYTLE: You bring it up. I
10 recall a conversation with one of the operations people
11 of having the Fraud Squad on, in on a given account.
12 But there was no wholesale calling in of the Fraud
13 Squad saying "What can you do for us, fellows?" I
14 couldn't give you the illustration. I just recall a
15 conversation I had with one of our operations people
16 in which they had Fraud Squad policemen examining it.
17 I don't think anything came of it.

18 MR. LAWRENCE: Thank you very much. I
19 appreciate your frankness. It's refreshing frankness.

20 THE CHAIRMAN: Mr. Bukator?

21 MR. BUKATOR: This completion slip, which
22 I didn't hear about until you mentioned it, they go out
23 and get a contract -- an incomplete contract at that time
24 -- and you found that was a bone of contention and
25 that's one of the reasons you got out of the business --
26 but this completion slip is signed. When does the
27 salesman get this? Immediately on the signature of
28 the contract by the purchaser? Was he that gullible?

29 MR. LLYTLE: We insisted, or requested,
30 that the completion slip be signed on completion. But



1 again in the course of our investigations we discovered
2 completion certificates signed at the date of sale and
3 the customer coached not to tell the credit department.

4 MR. BUKATOR: Isn't that remarkable.
5 One wonders how widespread are some of these practices
6 that haven't been cleaned out.

7 MR. LLYTLE: Well, these salesmen are
8 very high pressure.

9 MR. KERR: Why would the customer
10 want to do such a thing? Is there a bonus?

11 MR. LLYTLE: The biggest come-on was
12 the bonus. And consolidation -- there was a lever.
13 When we were attempting consolidation there could have
14 been conceivably instances when the salesman price was
15 a balloon on the money paid.

16 Recently when we are accepting
17 consolidation we want to check with them and in most
18 instances we would remit direct to the other creditor.
19 With Household we would pay the account off. Then
20 we were absolutely sure. This is standard practice
21 in sales finance organizations.

22 MR. LAWRENCE: You would pay them off?

23 MR. LLYTLE: Yes. If you finance an
24 automobile, the trade-in has a lien to protect ourselves
25 we have to pay off the other lien.

26 MR. MACDONALD: I was just wondering,
27 when you are paying some of these things off -- I have
28 heard of cases where the consolidation -- in this
29 consolidation racket, for instance -- where they are
30 caught consolidating with some of these sharp operators



1 getting a 25% rate of interest, to pay off among
2 other things credit union loans of 3 and 4 and 5 and 6%.
3 When you see these things coming in, there must have
4 been a pretty healthy suspicion in your minds as
5 you started paying off.

6 MR. LLYTLE: That's why we started
7 asking questions. When you think of the sales pitch,
8 it's pretty heady when the salesman says to a customer:
9 "I'll add up all these monthly payments and you are
10 paying \$120.00 a month now to all these finance
11 companies. Now if you put my siding on your house I
12 can get you a monthly payment of \$80.00." He's going
13 to put \$40.00 a month in that man's pocket and get
14 the siding thrown in.

15 MR. MACDONALD: And the debt will go
16 on for five years instead of two.

17 MR. LLYTLE: Well, we wouldn't discuss
18 that.

19 MR. SEDGWICK: Well some of the debts --
20 I've looked at some of these schedules and Mr. Lawrence
21 did too -- some of the debts were comparatively small
22 but they were harrassing debts.

23 MR. LLYTLE: The guy is being pushed.

24 MR. SEDGWICK: That is right.

25 MR. LLYTLE: He's being pushed. He's
26 two months behind. He knows every four days after the
27 due date he is going to get a phone call from every
28 finance company he is doing business with. This takes
29 the pressure off.

30 MR. BUKATOR: They would come to your



1 door, the fellow who knocks on your door -- the closer
2 as they call him -- then the closer comes in and
3 gets three things. He got a contract signed that was
4 incomplete, then he got a completion slip signed because
5 he wanted his money, and he also got a promissory note
6 signed that this man would pay the money. And you
7 found from your research that all three things happened
8 at one time, long before the job was done. Naturally
9 you have the completion slip and advance the money,
10 until you found out they were pulling your leg.

11 Now then, in regard to the man
12 who had the \$2,000.00 contract, who had \$2,000.00 in
13 incidentals to pay everyone, signed a note for \$6,000.00
14 and he brought that paper to you. Then you had such
15 an equity in that building, to protect yourself you
16 note only had the promissory note but -- did you
17 register the agreement or did you get a mechanic's lien?

18 MR. LLYTLE: We would conceivably do
19 one or the other.

20 MR. BUKATOR: Now then, I want to thank
21 you for being so outspoken. It just proves what I have
22 been trying to say here, Mr. Chairman. These people
23 are very, very gullible, to have signed all these
24 documents with absolutely nothing done. And in some
25 instances you have found that nothing was done on their
26 building at all.

27 MR. MACDONALD: In all of these practices
28 you discovered and tried to clean up, did you ever
29 become suspicious that there were kick-backs going back
30 to the company, the selling companies from whom you were



1 getting so much of this hot paper?

2 MR. LLYTLE: Kick-back from who, are
3 you thinking of?

4 MR. MACDONALD: From the company,
5 from your company?

6 MR. LLYTLE: Ours?

7 MR. MACDONALD: Yes.

8 MR. LLYTLE: About the only thing I
9 can safely say there is that there is one member of the
10 firm who is no longer with us.

11 MR. MACDONALD: Well, that's eloquent
12 enough.

13 MR. REILLY: Just one more point, Mr.
14 Chairman. When they brought in this contract to your
15 finance company, yours in this case, and they required
16 an additional \$2,000.00 -- actually they found a
17 customer for you who was bringing you business. Would
18 you give them any percentage?

19 MR. LLYTLE: Only to the extent of
20 their participation in the finance charges.

21 MR. REILLY: I see.

22 THE CHAIRMAN: Any other questions,
23 gentlemen? Well Mr. Llytle, thank you very much for
24 being with us this afternoon.

25 We also have representatives
26 from the Langs Food Ltd. this afternoon. Mr. Krebs and
27 Mr. Stanton. You are with Langs Foods Limited. Would
28 you care to tell us about your company? About its
29 operation and how long it has been in existence?

30 MR. STANTON: It was born in 1939.



1 In 1951 the home freezer business, our food plans, as
2 we call them, (rest inaudible)

3 THE CHAIRMAN: Would you gentlemen
4 care to carry on your conversation outside? Proceed,
5 please.

6 MR. STANTON: Mr. Lang, who was an
7 associate, decided to investigate the home freezer
8 business with a view to introducing it into Ontario.
9 It was then called a food plan. We steer clear of
10 that word in our business because it is a food service
11 not a food plan essentially. We sell a home freezer
12 as a home freezer. We sell a food service whereby we
13 give you a price on all products and we deliver it
14 providing the minimum amount is paid up. We have a
15 financing arrangement -- I don't mind tell you we
16 charge 1% per month on a food financing contract.
17 (Next sentence inaudible). In 1951 we went into the
18 home freezer food plan service. It is a very good
19 business. (Next sentences inaudible).

20 MR. KREBS: We feel there are approxi-
21 mately a half a dozen good companies in Ontario and
22 we believe it is a young industry but a good industry
23 if it is kept the proper way. It was a big mistake in
24 1958, particularly by our own freezer manufacturers in
25 Ontario. The big American manufacturers came into
26 Ontario and the small Canadian manufacturers wanted to
27 survive, so they started to create sales policies.
28 Selling the freezer direct to a customer with the idea
29 that he can have the freezer by buying the food for
30 nothing practically. Furthermore, these manufacturers



1 have created small locker plans and have converted them
2 and have financed themselves out of the freezer market.
3 They put each sharp, the direct salesman in business.
4 We recognized this ourselves in 1959 and 1960 and
5 we formed the first association to protect us and to
6 protect the customer and we have today across Canada
7 a chain of solid businesses like Langs.

8 Langs is one of the largest
9 ones. We have approximately a million cubic feet
10 of zero storage with high class materials and we
11 employ () people.

12 I don't think that there could
13 be very much done to correct the thing except if a
14 by-law would be issued that each one who calls himself
15 a freezer food plan or freezer food service should
16 prove that he is in a position to do whatever he states
17 in his advertisement, has his own plan and processes
18 his own food, has his own (), has a delivery
19 and can maintain the service he promised in his
20 literature. In Toronto you have it more than we do
21 in Hamilton or on the Peninsula because this was the
22 place where everybody jumped off the wagon and jumped
23 in. This is all I can tell you. If you have any
24 questions.

25 One thing I would like to
26 mention is we have three divisions actually. We have
27 a domestic division, we have an institutional division
28 and we have a warehouse division. We employ in each
29 division a different type of salesman.

30 Our institutional division, such



1 as hospitals, restaurants and hotels -- any kind of
2 chain store. Our domestic division, we have a fleet of
3 salesmen as well. We have a very small group of
4 very well selected and trained people. Then we have
5 the domestic food service which means we have a group
6 of girls on the phone soliciting freezer owners for
7 freezer food. If she is a solicited freezer owner
8 and she is dissatisfied with her present food supplier
9 or she hasn't got a food supplier, we will send one
10 of our home economists out and she will assist her
11 and explain to them in detail. We do not charge any
12 membership fees or registration fees. It is a free
13 service. We offer them literature and any other
14 assistance in cooking and so on, preparing or preserving
15 foods. This is our general service.

16 MR. SEDGWICK: Well do I take it, Mr.
17 Krebs, that you are primarily in the food business?

18 MR. KREBS: We are, yes.

19 MR. SEDGWICK: Then when the deep
20 freezers came in you started to sell deep freezers, is
21 that right?

22 MR. KREBS: That's right.

23 MR. SEDGWICK: Yes. And do you have
24 door-to-door canvassers?

25 MR. KREBS: No. We do not apply
26 direct, door-to-door. We used to have door-to-door
27 canvassers. We used to go through the same motion as
28 in general the industry went through ten years ago.
29 But for the past five or six years we have realized
30 the mistake has been done and how badly this case started



1 to be recognized. So we switched our whole operation.
2 We are mainly soliciting -- certainly we solicit food
3 business by having, for example, plans given by women's
4 groups, we show films, we educate them by showing
5 them that they can give their family food for less
6 than they are spending right now and healthier foods.
7 We show them the frozen food story. We explain the
8 thing and try to educate the consumer because there
9 have been freezers sold and there will be freezers
10 sold and we are in the food business and we want our
11 share.

12 MR. SEDGWICK: Yes. Well then you
13 sell the freezer -- do you sell the freezer?

14 MR. KREBS: That's right, yes.

15 MR. SEDGWICK: What is the price
16 paid?

17 MR. KREBS: From \$249 right up to
18 \$690.00.

19 MR. SEDGWICK: And do you sell those
20 on credit?

21 MR. KREBS: Yes. One moment I would
22 like to have your attention. We do sell on credit, but
23 we have a different attitude. These small fly-by-night
24 outfits, they have not the chance to obtain it from a
25 good, legitimate finance company, a good interest
26 rate, so they will approach the customer on the basis
27 that you have heard. By saying your have four accounts
28 now with four different finance companies. I will
29 consolidate them to one and the freezer will be included
30 and you will pay only \$68.00 a month instead of paying



1 \$80.00. This is based on the Small Loans Act and
2 financed with a small loan. Now we do financing on
3 a recourse basis. The note is issued to Langs
4 Foods Ltd. and Langs Foods Ltd. is discounting this
5 note with the Taylor Finance Corporation.

6 If the customer is not
7 satisfied and the first payment is not coming in to
8 Taylor Finance, Langs automatically will have to
9 pick up the freezer and credit the finance company.

10 MR. SEDGWICK: It is non-recourse.
11 You are the endorser of the note and if the customer
12 doesn't pay the note comes back to you and you pay.
13 Is that right?

14 MR. KREBS: Correct. Our intention
15 is to keep this customer not only for this one shot
16 where we sell him a freezer. We want to get his
17 business for years to come. We take the risk of
18 giving him three to four hundred dollars worth of
19 food in one shot without asking for a promissory
20 note, without asking for a contract. All he is giving
21 us is post dated cheques and in the post dated cheques
22 we include a 1% finance charge.

23 MR. SEDGWICK: I see. So you put
24 in \$100.00 worth of food --

25 MR. KREBS: It will cost her \$101.00
26 for 30 days.

27 MR. SEDGWICK: I see. If she wants
28 it for 90 days?

29 MR. KREBS: It will cost her \$103.00.

30 MR. SEDGWICK: How long a term of credit



1 do you extend?

2 MR. KREBS: Four months.

3 MR. SEDGWICK: Four months. And how
4 long a term of credit on the freezer?

5 MR. KREBS: Twenty-four to thirty
6 months. It depends. For example on the large
7 combination which is a 21 cubic feet freezer-frig,
8 it will cost \$699.00 -- this can be financed over a
9 30 months period. A small freezer, 16 cubic foot
10 chest, which sells for \$249.00 -- they will have 18
11 months. It depends on what the customer wants. The
12 customer signs two papers. She signs first of all
13 a credit statement for Taylor Finance, the Taylor
14 Finance contract. And it is indicated on the contract
15 the extent of credit they wish to have or how much will
16 fit into their budget.

17 MR. SEDGWICK: And then, Mr. Krebs,
18 as to the food, then you go around periodically to
19 replenish the freezer, do you?

20 MR. KREBS: No. As soon as the food
21 has been delivered our service department will give
22 the customer a call and she will, or the salesman --
23 whoever takes this customer -- and deliver the
24 customer a full load, explaining completely how our
25 programme and our service and the protection plan
26 she has on the freezer or on the food alone, the
27 insurance she is getting with our service and at the
28 same time she will go through the prices once more
29 and check up and see if she can assist in repacking
30 the freezer or placing a small additional order, because



1 sometimes in the beginning the customer is a little bit
2 confused, a completely new programme, a new way of
3 living to her, and she has not acquainted herself
4 too much. So the girl goes out and makes the first
5 service call. Then she counsels -- "Now next month
6 you are going to receive our prices. From here on
7 we are going to mail you every month a price list".
8 It is much cheaper for us to put these through our
9 mailing machine and send these customers a price list.
10 Now you may find that we have a special on -- let's say
11 pork and beans -- and you want 24 cases or 24 cans of
12 it, you may order any time. It's a mail order system.
13 Now when you are due for your reorder you have
14 automatically our prices and you don't have to call
15 us and we don't have to pressure you for a reorder.
16 Should we find out that two weeks after the due
17 date that the service payment has been made and a
18 reorder has been placed, then we contact you and
19 find out if we can be of any assistance.

20 MR. SEDGWICK: Yes. As you supply
21 the freezer with food, do you add the cost of that
22 food to what is in effect a revolving credit account?

23 MR. KREBS: No. It is completely
24 separate. We have a complete separate payment to
25 Langs Foods Ltd. which consists of one-third to one-
26 quarter, for a four months or three months term, and
27 automatically they will receive a copy of the Taylor
28 Finance contract, a payment book and a life insurance
29 policy from Taylor Finance.

30 MR. SEDGWICK: Yes, but that's on the



1 freezer, not on the food.

2 MR. KREBS: No.

3 MR. SEDGWICK: Well then, when you
4 put the first batch of food in, as you told us, it's
5 a postponed cash transaction. You get post dated
6 cheques, is that correct?

7 MR. KREBS: That's right.

8 MR. SEDGWICK: Well then when you
9 replenish the food with say another \$50.00 worth of
10 food, what is the record of payment for that food?

11 MR. KREBS: The same way as the
12 initial one was. She will send in, let's say, her
13 reorder and it will not be \$250 or \$200 or \$100, it
14 will only be \$75.00. She will indicate 30 days --
15 so automatically the girl in the account department,
16 when the food is delivered a statement in duplicate
17 goes along with the food and a post dated cheque
18 for this amount. The customer will sign the cheque.
19 If the housewife does not have the authority of
20 signing the cheque, the cheque may remain at the
21 home and she can mail it to us.

22 MR. SEDGWICK: I see. So she signs
23 the cheque will delivery of the food --

24 MR. KREBS: If not, we will not force
25 her -- we will deliver the food, leave the food there,
26 if the credit is in good standing with us.

27 MR. SEDGWICK: And do you add anything
28 to the cash price of that food to the cost of the
29 credit engaged?

30 MR. KREBS: Only this 1%. It doesn't



1 make any difference to us if you buy \$100.00 worth
2 of food or \$1,000.00 worth, you pay 1%.

3 MR. SEDGWICK: 1% a month?

4 MR. KREBS: Yes. If you pay cash
5 it's priced as indicated on the price list.

6 MR. SEDGWICK: So you show her the
7 cash price and again if it's a \$100.00 item and she
8 wants 30 day credit, she pays \$101.00. Is that right?

9 MR. KREBS: Exactly.

10 MR. SEDGWICK: 60 days \$102.00, 90
11 days \$103.00?

12 MR. KREBS: Or she may make even
13 a partial downpayment --

14 MR. SEDGWICK: That's on the balance,
15 she pays 1% on the balance, whatever it may be. Yes.
16 In volume -- and don't give me any trade secrets --
17 what would your food volume be?

18 MR. KREBS: I could not disclose
19 these figures.

20 MR. SEDGWICK: All right.

21 MR. KREBS: We have 80 trucks on the
22 road and each truck is a refrigerator. We promise that
23 every case of frozen food will be delivered in a frozen
24 truck and will be maintained at zero. All our meats --
25 which we cut, and we have altogether 14 butchers working
26 in our butcher shop in Hamilton -- is flash frozen
27 20 to 30 degrees below zero as well.

28 MR. SEDGWICK: Delivered at no more
29 than zero.

30 MR. KREBS: That's right. And it's all



1 double wrapped. We belong to the International Locker
2 Freezer Association and we have a code of ethics and
3 these five or six companies in Canada have affilitated
4 themselves. Should a customer move from the Toronto
5 area, for instance, to Ottawa or to Washington, D.C.,
6 automatically, as soon as she wrote and notified us,
7 and give us her new address, she will be contacted by
8 our next closest associate dealer and will receive
9 exactly the same service for her food and the same
10 service for her freezer. Say, for example, the freezer
11 warranty has not expired, it may have four years or
12 three years to go, automatically the dealer in
13 Washington or Vancouver will honour it and he bills
14 us and we pay the account. And we do it the opposite
15 way around.

16 MR. SEDGWICK: It is obvious that
17 you are operating quite ethically. In view of that
18 ethical competition, are the fly-by-nights -- and
19 obviously you have had complaints -- still in
20 business?

21 MR. KREBS: Yes.

22 MR. STANTON: (Inaudible).

23 MR. SEDGWICK: I wouldn't like to
24 embarrass you men by asking the names in front of
25 the press here, but could you give the Secretary a
26 list of the names of those that are unethical
27 competition?

28 MR. KREBS: It's possible. I tried
29 in 1959 to form, in Hamilton -- we had a meeting with
30 the manufacturers, freezer manufacturers, with the



1 existing freezer purveyors in Ontario plus these
2 wild boys. I tried to set up an association and form
3 a code of ethics, but it was impossible because it
4 was just paralyzed by the freezer manufacturers
5 because they have to compete. We purchased, ourselves,
6 a freezer which is made in Canada by one of the largest
7 companies in the world -- the Franklin-Studebaker
8 Corporation in Galt. This freezer, I believe strongly
9 and I have seen the other freezer manufacturers, is
10 the best freezer manufactured. But at the same
11 time in the same region you find three more and some
12 of them have changed in the past five years five
13 times ownership, have been mortgaged off and sold
14 off, have been in the washing machine business, have
15 been in all kinds of business, and back in the freezer
16 business. We are naturally battling these big
17 corporations which are solidly financially in the
18 field and they are supplying these little guys. They
19 sell them a freezer which costs us 25% more than the
20 freezer we sell.

21 MR. MACDONALD: Is there any
22 obligation on your customers to continue to buy your
23 food?

24 MR. KREBS: No. We do not set up a
25 minimum or maximum or any terms, any length.

26 MR. MACDONALD: If he ceases buying
27 you send your girl out to find out whether you can't
28 educate him back into the fold, eh?

29 MR. KREBS: We will not force him.
30 We have -- just to give you an example, -- we have one



1 pilot plan operation in West Hamilton which used to
2 be an old locker plan and still maintains some lockers.
3 We will sell exactly the same food over the counter
4 to anyone. He may come in and say: "I want \$10.00
5 worth of steaks". He can have \$10.00 worth of
6 steaks and carry them home himself.

7 MR. SEDGWICK: I have no other
8 questions.

9 THE CHAIRMAN: Mr. Whicher? Mr.
10 Bukator? Mr. Lawrence?

11 MR. LAWRENCE: I was just wondering
12 what provincial legislation you people have to pay
13 attention to at the moment. Is there any general
14 or specific legislation directed to the freezer food
15 business?

16 MR. KREBS: Well maybe, particularly
17 in our shops, we may have to obey certain food and
18 drug acts. I have seen, coming up to Toronto this
19 morning, a little panel truck painted up beautifully --
20 I will not name the company -- delivery food, frozen
21 food. Now in June and July they have to carry bags
22 of ice perhaps to keep the ice cream from running away.
23 This is not healthy. But there is no legislation
24 minimizing this problem or controlling it. I
25 acknowledge I can go and register for \$1.75 a name
26 and call up one of the freezer manufacturers and say:
27 "Send a freezer down here". I can start up business
28 with \$250.00, have a telephone, and in a matter of
29 three days have \$250.00 in my pocket.

30 MR. LAWRENCE: It's a difficult problem



1 because any complaints that reach us, I think, about
2 people who are primarily in the freezer business
3 and have stuck on in the food business as an adjunct
4 to it, to help sell freezers. You are in the reverse
5 situation.

6 MR. KREBS: Yes. But we went through
7 the mill ourselves. To be honest with you I started
8 off from the ground.

9 MR. LAWRENCE: What provincial
10 legislation do you think can rectify some of the
11 situations that exist?

12 MR. KREBS: First of all I would
13 think -- not to eliminate competition for Langs --
14 there is no thought of that because I think it is
15 too strong to feel that a new company that sets out
16 could catch up with us. But I feel one thing is a
17 person should qualify clearly that he is an appliance
18 distributor or appliance salesman and not a food
19 counselor, food consultant, and a food freezer plan
20 operator and all these things. I have seen them go
21 down to the corner shops, one of these questionable
22 meat stores, buy their meat, take it down to their
23 office and put it in their own freezer and deliver
24 it to the customer in their trunk. They will say the
25 truck broke down.

26 MR. LAWRENCE: Some sort of registration
27 or licensing or --

28 MR. MACDONALD: Would some sort of
29 inspection be advisable?

30 MR. KREBS: But they haven't got an



1 appliance even. They are small companies in the
2 neighbourhood around Toronto. These companies haven't
3 got the potential to move in, food companies, to
4 Toronto and advertise. So Joe Blow with maybe two
5 or three salesmen will come up to him and say: "I'll
6 give you every week five customers or ten customers,
7 but you must supply the food to these people exclusively
8 for me to my company. Furthermore, I'll give you
9 \$20.00 for every food order you ship to Toronto".
10 We have taken over in 1961, 125 customers in Hamilton.
11 The company moved in from Kingston and was shipping
12 the food. Now just imagine, from Kingston to
13 Hamilton to Mrs. Blow. It's just impossible to give
14 service because the driver is much too long on the
15 road. They sold the freezers, 120 of them, in a matter
16 of six weeks and then they went bankrupt and they
17 pulled out. There was no service on the freezer,
18 there was no food service. The finance company came
19 and said: "Would you take these customers over and
20 straighten them out because they are short of this and
21 short of that". Furthermore the manufacturer came and
22 said: "You give them the service on the freezer and
23 bill us and we will pay you for every service call".

24 MR. WHITE: Well, Mr. Chairman, it's
25 getting late and I don't want to prolong this hearing,
26 but I would like to read into the record a letter I
27 got which typifies complaints made to me about some
28 unscrupulous companies in this field and I have the
29 further hope that our counsel or these gentlemen may be
30 able to suggest a solution to this man's problem.



1 "Dear Sir: I heard your broadcast concerning
2 consumers and I offer my sad plight to add to your
3 campaign. I decided to reduce my monthly food bill
4 by obtaining a freezer and a three months supply of
5 food for less than I was currently paying. I still
6 have the advertisement which offered me \$100.00 worth
7 of food free almost two years ago, and it's still
8 on the way. I contacted the Security Food Plan in
9 this city and was offered a deal which would cost me
10 \$617.95. The package deal would supply me with a
11 freezer and also give me a membership. I have not
12 yet discovered what the term "membership" really means.
13 The man financing the deal left Security Food Plan
14 and several years later I received a letter than
15 the Community Finance Corporation was to handle the
16 contract. The finance charge was \$213.80 plus a
17 recording charge of \$1.50. And I now found myself
18 with a freezer and a thing called "membership" and
19 a bill now totalling \$828.25. I hastened to the
20 bank and obtained \$617.95 to settle the account with
21 the finance company before they could obtain the
22 further \$213.80. I then tried to back out of the
23 contract because I realized only too late that I had
24 bought a freezer for \$617.95 and that was all. The
25 contract merely says one freezer -- the same freezer
26 that the downtown stores sell for around \$250.00. I
27 contacted the London Chamber of Commerce and sent
28 three letters to the Security Food Club asking them to
29 speak on this matter. All three letters were returned.
30 The Chamber proved fruitless in my dilemma. The Security



1 Food Club is now operated by a Mr. () who
2 refuses to have anything to do with the situation,
3 saying that all he inherited from the old Security
4 Food Club was the name, and that any claim should be
5 made against the Security Club on the previous forms,
6 the firm that sold me the deal in the first place, and
7 said if I had any beefs to go ahead and sue. A lawyer
8 would handle the matter for me, but I couldn't
9 afford his fee. The lawyer suggested I was considerably
10 overcharged and should take the matter to court. I
11 have been unable to take this further because I am
12 short of money. I feel that I have been excessively
13 overcharged and I wish you every success in your
14 attempts to introduce new legislation in this area.
15 By the way I have kept all the information should you
16 require it. Yours sincerely,"

17 MR. WHICHER: Is this a constituent
18 of yours? I suggest you loan him the money for a
19 good lawyer.

20 MR. WHITE: Well, I'll get him a lawyer.
21 As a matter of fact the last time I had a thing like
22 this a friend of mine handled the case free and he
23 was successful in extracating the couple from a dilemma
24 identical to this.

25 I was wondering, first of all,
26 whether you gentlemen know of an escape from this
27 type of contract. I mean, you have wide experience in
28 this field.

29 MR. STANTON: (First part inaudible).
30 Usually the finance company will take the loss, they will



1 repossess it and --

2 MR. SEDGWICK: They didn't take it, you
3 see. He shortcutted the finance company by borrowing
4 the money from the bank and paying it off. I suppose
5 he could prosecute, I suppose he could sue them, but
6 from what he says I doubt if they are any good for it.

7 MR. WHICHER: Give them Langs name,
8 that's the best thing.

9 MR. KREBS: We have a branch in London,
10 the London Frozen Foods on Richmond Street.

11 MR. KERR: You say, Mr. Krebs, you
12 use your own type of contract, is that it?

13 MR. KREBS: We do not have any
14 contract. If we have to finance a freezer we use
15 Taylor's contract.

16 MR. KERR: And on this freezer contract
17 there would be an assignment form, would there?

18 MR. KREBS: On the bottom there is a
19 note attached, total amount, date, pay to Langs Food
20 Ltd. And on the back Langs Food puts a stamp on and
21 signature and passes it over with a delivery slip on
22 the freezer signed by the customer that they received
23 it in good condition, and then we are paid by them.

24 MR. KERR: And any repossessing is
25 done by you people?

26 MR. KREBS: Yes.

27 MR. KERR: You say, unlike the bad
28 people in your field, you don't say that you are giving
29 the food free -- you are the opposite way.

30 MR. KREBS: Most of you gentlemen are



1 in business yourselves. Who can give anything free
2 away except if he wants to write it off as an
3 advertisement. We have, for example, at the beginning
4 of this year, we were giving away steaks, three pounds
5 of steaks on a three pound roast for \$1.00. We just
6 wanted to show them our meat and we allocated so
7 many hundreds of thousands of dollars for this campaign.
8 Nothing attached to it. You didn't have to buy
9 anything, they could mail it in by cheque and pick it
10 up.

11 MR. STANTON: (Inaudible).

12 MR. KREBS: There are some companies
13 in the city of Toronto you cannot switch to, they
14 will not accept you. There are three of them. You
15 have to pay them \$100 or \$150 or \$200 and join in to
16 get their food.

17 MR. STANTON: (Inaudible). I would
18 say 50% of our applications for credit are turned down,
19 in Toronto at least.

20 MR. LAWRENCE: By Taylor?

21 MR. STANTON: By me.

22 MR. LAWRENCE: You do your own credit
23 checking?

24 MR. STANTON: For food we do our own
25 credit. And I would say that about 50% have credit
26 rejected. (Rest inaudible). There are some finance
27 companies that buy garbage. (Rest inaudible).

28 MR. IRWIN: May I ask just one question,
29 Mr. Chairman? Do you make any profit on the freezer
30 sale yourself?



1 MR. STANTON: Oh, yes.

2 MR. IRWIN: Could you give us some
3 idea, for example? If you pay \$200.00 --

4 MR. STANTON: (Inaudible).

5 MR. IRWIN: Do you think you could
6 get it down to a specific example? If your cost is
7 \$200.00, what would you sell it for?

8 MR. STANTON: Oh, our cost would be
9 more than \$200.00.

10 MR. IRWIN: Well, make it \$300.00.

11 MR. KREBS: You would have to operate
12 the same as any legitimate business with a legitimate
13 mark-up.

14 MR. IRWIN: Well, what is it?

15 MR. KREBS: Well this depends, of
16 course, on the way you promote your merchandise.

17 MR. IRWIN: You must be able to
18 answer the question. You must know.

19 MR. KREBS: I can operate my business
20 differently maybe than even the best boys.

21 THE CHAIRMAN: Would you care to give
22 us that information privately to Mr. Irwin? Just so
23 the Committee will understand.

24 MR. KREBS: The most successful part
25 in selling freezers today is the way it is merchandised
26 and the way the salesman receives his commission.
27 Commissions are running from -- in a small, fair
28 company on a good, clean operation -- from 8 or 10%
29 and in a fast moving company right up to 30%.

30 MR. IRWIN: Could you supply me with



1 five actual arrangements from your files showing the
2 price charged to the consumer for the freezer only,
3 nothing else? I think you have made it quite clear
4 that you deal, with regard to the freezer, in one
5 arrangement and in regard to the food with another
6 arrangement. I am speaking about the arrangements
7 for the sale of the freezer. Could you give me five
8 actual examples showing the actual selling price
9 to the customer, the amount of the finance charge
10 added to that and the number of payments and so on
11 and then give me a distribution of that selling to
12 the customer in your hands -- how much goes to the
13 salesman and what is your cost that you have to pay
14 out to the manufacturer of the freezer?

15 MR. KREBS: I could do that.

16 THE CHAIRMAN: Well then, any other
17 questions? Thanks very much Mr. Krebs for being
18 here. We appreciate the information.

19 We will adjourn, gentlemen,
20 until tomorrow morning at ten o'clock.

21 ---WHEREUPON THE MEETING ADJOURNED AT 5:55 P.M.

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